EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,760 — Friday February 3 1989 — D 8523A

AFGHANISTAN
Bloodbath looms in race for Kabul
Page 18

World News

Commander of Warsaw Pact forces steps down

Marshal Viktor Kulikov has stepped down as commander-in-chief of Warsaw Pact forces and has been replaced by General Pyotr Lushev, the Soviet First Deputy Defence Minister. MBFR talks end, Page 2

Sino-Soviet talks

The foreign ministers of China and the Soviet Union agreed that international supervision would be needed to ensure peace in Cambodia after Vietnam ends its occupation.

Soviet convoy perils

Moslem rebels fired rockets at one Soviet convoy after it left Kabul and an avalanche engulfed another along the Salang highway. Afghan aftermath, Page 18

Prototype crashes

A prototype of Sweden's new JAS-Gripen fighter aircraft crashed on a training flight. The aircraft, built by a consortium led by Saab-Scania, was two years behind schedule and $1.2bn over budget. Page 2

UN Gulf group

The United Nations will set up a military working group involving officers from both Iran and Iraq to consolidate last summer's fragile Gulf ceasefire. Page 4

Poland 'democracy'

Poland's Communist rulers, seeking to stabilise the country through a deal with the Solidarity trade union, met to discuss how much democracy to include in their reforms.

Sri Lanka unrest

Indian troops fired at protesters at a university in Jaffna, northern Sri Lanka, killing two people and injuring eight.

N Korea move

North Korea is to downgrade diplomatic relations with Hungary to chargé d'affaires level and recall its ambassador in Budapest after South Korea established full diplomatic relations with Hungary. Development projects, Page 3

Greek strike

Cities around Greece were paralysed as more than 1m workers staged a nationwide strike to protest against the government's policies and alleged involvement in a series of financial scandals. Page 2

Perez sworn in

Carlos Andres Perez was sworn in as Venezuela's new president and promised to work with the US for peace in Central America and a definitive solution to the Latin American foreign debt problem.

Antarctic oil spill

Tons of equipment from the US headed for Antarctica to tackle an oil spill that poses a major environmental threat.

Ulster talks

Northern Ireland's Alliance Party said secret talks were held between the protestant Official and Democratic Unionist parties and representatives of the Catholic SDLP and Alliance Party to discuss power-sharing.

Armenian airlift

Five children critically injured in the earthquake in Soviet Armenia have been airlifted to a US military hospital in West Germany, as part of medical treatment for 30 children, the first such US aid offered to the Soviets since 1945.

Business Summary

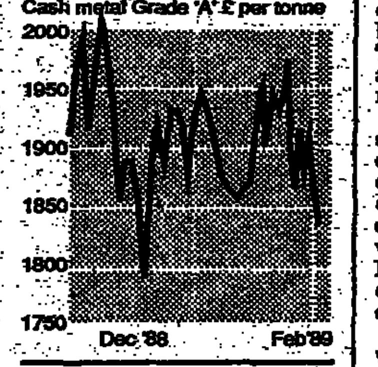
GEC holds collaboration talks with Matra group

GENERAL Electric Company of the UK is negotiating several collaborative deals with Matra, the French electronics group, as part of its planned expansion in the European defence market. Page 19

COPPER prices closed at the day's ring lows on the London Metal Exchange, with the market unnerved by further erratic movement on Comex. Cash metal fell £36.50 to £1,832.50 a tonne. Page 30

Copper

Cash metal Grade 'A' £ per tonne



EUROPEAN Investment Bank lending surged by 30 per cent last year, putting it ahead of the World Bank for the first time as the largest institutional borrower on capital markets. Page 18

FORD, US automotive group, launches an attack today on the West European small car market with its new Ford Fiesta. The company has invested more than £550m ($962.5m) to develop the car, to be produced at three of Ford's six European car assembly plants. Page 18

HAWKER SIDDELEY International, UK-based electrical engineering group, has acquired an electric meter manufacturing business in Japan, Hawker's first acquisition in the country. Page 19

EUROPEAN Commission decided not to act against the proposed merger between Metalbox Packaging, part of the British MB Group, and Carnaud, French packaging company. The merger between Pechiney, French state-owned aluminium company and American National Can was also cleared. Page 27

OCCIDENTAL Petroleum, US energy, chemicals and agri-business conglomerate, earned $6m in the fourth quarter and $302m in 1988 after provisions for settlement of administrative proceedings with the US Energy Department. Page 20

BRIDGESTONE, leading Japanese tyre maker, will build a $350m radial tyre plant in Tennessee to meet rising demand for its truck and bus tyres. Page 22

FAI INSURANCES, Australia's largest general insurer and aggressive equity investor, has been hit by a profits slump after a slide in income from share market deals swamped a rise in sales. Page 23

GIROBANK, UK Post Office banking subsidiary put up for sale to the private sector last year, has been offered to Co-operative Bank for a price close to its net asset value of £100m ($175m). Page 8

CAE INDUSTRIES, leading Canadian high-tech group, reported a 56 per cent gain in earnings for the nine months to December. Page 20

NIPPON TELEGRAPH and Telephone Corp. said it has developed a new transistor to build smaller, speedier computers and provide clearer pictures on television sets.

ARAB BANK, leading Jordanian bank, showed a sharp increase in its domestic currency earnings and stable profits from its worldwide banking operations. Page 23

Minorco cleared to launch fresh bid for Consolidated Gold

By Kenneth Gooding and Clay Harris in London

MINORCO, the South African-controlled investment company, was yesterday cleared to launch a new takeover bid for Consolidated Gold Fields, the UK-based mining and construction materials group.

The unanimous report by Britain's Monopolies and Mergers Commission, which must be accepted by Lord Young, Trade and Industry Secretary, attached no conditions to a new bid.

It rejected objections based on competition, the South African nationality of Minorco's controlling shareholders and on the alleged "bid-proof" ownership structure of Minorco. It was essentially up to Gold Fields' shareholders to decide on the merits of Minorco's case, the MMC said.

The decision was greeted with concern at Westminster, with MPs from both the ruling Conservative Party and the opposition Labour Party expressing unease at the state of Britain's mergers legislation.

Sir Michael Edwardes, Minorco chief executive, said the group had still to decide whether to launch a new bid. Its previous offer, which lapsed on referral to the MMC in October, valued Gold Fields at £2.9bn ($5.1bn), a record bid for a UK company.

Minorco still faces at least two official hurdles to any takeover of Gold Fields. One is clearance by the European Commission, which said it would make a decision as soon as possible. The other is litigation pending in US courts.

Sir Michael greeted the MMC report as vindication not only of Minorco but of its South African parents. In Johannesburg, Anglo American and De Beers – which together with other interests associated with South Africa's Oppenheimer family own 71.2 per cent of Minorco – said they hoped the report would end a "worldwide campaign of vilification" which Gold Fields had conducted against them.

Sir Michael said Minorco had to decide the extent to which criticism of the bidder's South African connections had damaged Gold Fields. "There has been an element of scorched earth about it," he said.

In contrast, Mr Rudolph Agnew, chairman of Gold Fields, said he was "disappointed and rather sad" that the MMC had not addressed worldwide implications of the bid rather than being concerned entirely with the UK.

He said the MMC investigation had given Gold Fields time to complete a full appraisal of its worldwide mineral assets. This would enable Gold Fields "to help shareholders in every way possible to judge the full value of their company if Minorco resubmits its bid."

Continued on Page 18
Editorial comment, Page 16;
Lex, Page 18; Details, Page 26

WESTERN WORLD GOLD PRODUCTION (% shares)

Company	South Africa	US	Australasia	Brazil	Total
Anglo American (inc Minorco)	19.4	0.1	0.2	0.5	20.2
Consolidated Gold Fields					
GFSA* & other S African	9.3				9.3
Newmont		1.3	0.7		2.0
GFMC*		0.5			0.5
Renison			0.2		0.2
Total	9.3	1.8	0.9		12.0
A-American + Gold Fields	28.7	1.9	1.1	0.5	32.2

*Gold Fields of South Africa. *Gold Fields Mining Corp. Source: Monopolies Commission

Bush, Takeshita pledge to strengthen economic links

By Lionel Barber in Washington

GEORGE BUSH, US President, yesterday assured Mr Noboru Takeshita, the Japanese Prime Minister, that the United States would continue to shoulder its obligations as a global power.

During three hours of talks at the White House, Mr Bush also reaffirmed the importance of economic policy coordination as part of the two countries' bilateral relationship.

Mr Bush's assurances that the US was not "pulling back" appeared aimed at allaying fears in Tokyo that Washington wants Japan to spend more on the defence of the Pacific, enhancing its military role in the region.

After the meeting, Mr Takeshita spoke of a "new start" in the two countries' relationship which would lead to more co-operation and joint endeavours.

Mr Takeshita said he would continue his diplomatic goal of ensuring that Japan – which has a $50bn trade surplus with the US – contributes more to the world.

The two also underlined the importance of economic co-operation between the two countries. "The Prime Minister reaffirmed Japan's determination to promote strong domestic growth and structural adjustments," Mr Bush said. "I told him that I am determined to reduce our budget deficit."

In addition, Mr Takeshita said, Japan and the US would work closely together on policies toward the Soviet Union, and he deferred to the US: "I look to you, Mr President, for wise and firm leadership."

Finance ministers and central bankers of the US and Japan, West Germany, France, Britain, Italy and Canada met in Washington for dinner last night, and talks tomorrow. They were expected to discuss the dollar, debt and international economic co-operation.

US officials said the aim of the meeting was to forge a close personal bond between Mr Bush and Mr Takeshita, the first foreign leader to visit Mr Bush since he took office last month. Mr Bush said this reflected the importance the US attached to the relationship: "We respect one another, we need one another," he said. "On occasion we may have differences, but these are the differences of friends."

Mr Bush has accepted an invitation to attend the funeral of Emperor Hirohito.

Reform on Japan's agenda, Page 17

Soviets buy the Saatchi pitch

By Christopher Parkes, Consumer Industries Editor, in London

GOSTELRADIO, Moscow's broadcasting authority, has hired top Western advertising agency Saatchi and Saatchi to help it play its part in the Soviet Union's economic renewal.

The British-based international advertising group, which sold Thatcherism to the British when it handled the Conservative Party's election campaign, has been awarded an open-ended contract to steer Gostelradio into a new, commercial future.

Its main task is to help its client develop and market its advertising sales operations for television and radio with the aim of attracting income from foreign and doemstic companies. Saatchi will also advise on the development of commercial sponsorship for broadcasts of popular sports or ballet.

The fee was not disclosed, and the contract will run "until they don't want us any more," the company said yesterday.

The small volume of advertising currently carried on Soviet television promotes mostly East European products such as Bulgarian jam, but audiences have also taken well to experiments with Western commercials for products and services which are not yet available in the Soviet Union.

The British Airways "outer space" TV promotion, featuring the strains of Nabucco and a Russian voice-over, is reputed to have won popular acclaim as being more entertaining than much of the formal programme output.

Benetton fashions, Omega watches and the services of Imperial Chemical Industries have also featured.

Although Saatchi will not be involved in sales of advertising, it pointed out yesterday that with rates starting at £10,000 ($17,500) for a 30-second spot, compared with £30,000 for British prime time, the Soviet airwaves offer cheap space for companies wishing to prepare the ground for the time when they will be able to sell their goods.

Officials calculated that with a television audience of 180m, advertisers could expect to reach up to nine times the number of people for a third of the UK price.

Prime-time slots in Vremya, the main evening news programme, are unlikely to be available for some time because of concern over tainting the dignity of its output. But there is a growing output of popular entertainment, such as quizzes and a much-watched Friday pop music show.

Post of President retained for the time being

Botha resigns leadership of ruling party

By Anthony Robinson in Johannesburg

SOUTH AFRICA'S President P.W. Botha yesterday resigned as leader of the ruling National Party and was replaced by Mr F.W. de Klerk, Education Minister, although Mr Botha said he intended to remain President for the time being.

The announcement by Mr Botha, who is convalescing after a mild stroke last month, surprised many South Africans, including members of his own party.

It was made in a letter read out at the parliamentary party caucus meeting, which takes place every year before the opening of the new parliamentary session.

As a result, the caucus held an election for a new party leader, and after three ballots Mr de Klerk, the 52-year-old Transvaal party chief, emerged as the winner after three ballots. He narrowly defeated Mr Barend du Plessis, the Finance Minister, by 69 votes to 61.

Of the four senior cabinet ministers who stood for election, Mr Pik Botha, the Foreign Minister, who is popular with the rank and file but weak in the caucus, was eliminated in the first round.

Mr Chris Heunis, the Minister for Constitutional Affairs and Cape leader, who is acting president, was defeated in the second ballot. Two ministers tipped as possible candidates, General Magnus Malan, the Defence Minister, and Mr Gerrit Viljoen, the Minister for Black Education, did not stand.

Mr Con Botha, the party's chief information officer, said last night that it was "extremely unlikely" that Mr Botha would seek re-election as President.

He said "I would imagine that practically speaking Mr de Klerk will become the next president."

In his resignation letter Mr Botha, who became party leader and Prime Minister in 1978 and the first executive President on introduction of the new constitution in September 1984, expressed his view that "the role of State President and that of chief leader of the party should now be separated."

Under the constitution the President is both head of state and head of government but his power ultimately derives from his position as head of the ruling party in the House of Assembly, controlled by the white minority.

F.W. de Klerk: conservative choice for National Party

In the current configuration of power, Mr de Klerk is only the head of the party, while the acting head of government is Mr Chris Heunis, one of his defeated rivals in yesterday's ballot.

Mr Heunis was sworn in last week as acting President until President Botha either returns to work or resigns.

However, Dr Andries Treurnicht, leader of the right-wing Conservative Party opposition, said last night the manner in which Mr de Klerk, who comes from the afrikaner heartland of the Transvaal, was chosen as leader indicates serious divisions within the NP.

Not only was there an unprecendented nomination of four candidates but he was only elected on the third poll with a narrow majority. A bitter leadership struggle awaits the NP. He characterised Mr de Klerk as a man "whose political career has been characterised so far by the absence of a goal-orientated basis of principle".

Mr de Klerk, a conservative, will have to establish his authority over a party which has been wracked in recent months by a series of scandals involving cabinet members and MPs.

He will also face major problems over the Group Areas Act in the new parliamentary session, but could benefit from South Africa's improved external relations if peace returns to Angola following the withdrawl of Cuban troops and independence is granted to Namibia.

Analysis Page 3
Editorial Page 16

Playing the difficult part of heir apparent

By Our Johannesburg Correspondent

IT WAS a close fight but in the end South Africa's ruling National Party yesterday opted for the safe, orthodox figure of Frederik Willem de Klerk, the 52-year-old Transvaal party boss, as its new leader. He got the job partly because he has learnt, like his Soviet and US counterparts, the difficult art of playing heir apparent.

The key to success lies in presenting at all times a public image of impeccable orthodoxy, personal modesty and loyalty to the boss. The real Mr de Klerk can now stand up, although he will not really be his own boss until President P. W. Botha relinquishes the presidency and he has fought and won an election.

A lawyer by training, Mr de Klerk practised in the Transvaal industrial town of Vereeniging which elected him to parliament in 1972. Six years later he was promoted to the cabinet. But he was never given the key portfolios – defence, constitutional development, law and order, finance or foreign affairs – usually considered necessary experience for a future leader.

His briefs included posts and telecommunications, social welfare and pensions, sport and recreation, mineral and energy affairs and latterly leadership of the white parliamentary chamber – the House of Assembly – and national education. They are all worthy posts, but not really front rank.

It is clear that he was never regarded as the favoured son by President Botha, whose power base was the Cape and who favoured men from his own region, like Mr Chris Heunis, until he fell from grace at the last elections.

Mr de Klerk's most important role to date has been as party boss in the Transvaal. He took over this hot seat from Mr Andries Treurnicht in 1982 when the latter walked across the floor of Parliament to set up a new Conservative Party opposition, to the right of the National Party.

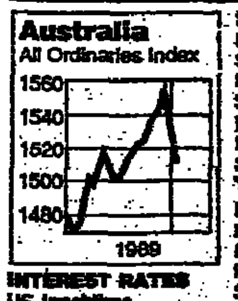
Since then Mr de Klerk's main task has been to try and stem the right's advance in the conservative Afrikaner heartland.

It has been an uphill struggle for the dapper, courteous

Continued on Page 18

MARKETS

Australia
All Ordinaries Index



INTEREST RATES
US lunchtime
Federal Funds 9% (8 9/16)
3-mth Treasury Bills: yield: 8.66% (8.636)
Long Bond: 101 7/8 (101 13/32)
yield: 8.81% (8.801)
London:
3-month interbank: close 13% (same)

STERLING
New York close
$1.7450 (1.7485)
London:
$1.7510 (1.7545)
DM3.2725 (3.2675)
FFr11.1325 (same)
SFr2.27775 (same)
Y226.25 (227.25)

DOLLAR
New York close
DM1.8775 (1.8735)
FFr6.3890 (6.3805)
SFr1.5945 (1.5956)
Y129.575 (130.275)
London:
DM1.8695 (1.8625)
FFr6.3575 (6.3450)
SFr1.5960 (1.5835)
Y129.15 (129.60)

GOLD
New York latest
Comex April
$395.9 (397.2)

STOCK INDICES
New York close
Dow Jones Ind. Av. 2,333.75 (-4.46)
S&P Comp 296.84 (-0.25)
London:
FT-SE 100 2,043.4 (+3.7)
World: 143.60 (Tues)
Tokyo
Nikkei Ave 31,498.30 (+137.62)
Frankfurt
Commerzbank 1,650.3 (+10.1)

OIL
Brent 15-day (Argus) $16.85 (+0.35) (Feb)
West Tex Crude $17.735 (+0.34) (March)

CONTENTS

Belgians ponder the cost of a break with Zaire

Even those hardened to the ups and downs of Belgium's relations with Zaire see a new seriousness in President Mobutu's intent to sever links that have lasted since independence in 1960.
Page 3

Kohl admits errors led to West Berlin poll upset

By David Goodhart in Bonn

MR HELMUT KOHL, West German Chancellor, admitted yesterday that the shock result of the West Berlin election – in which the Bonn coalition parties' vote slumped – was in part a consequence of mistakes and poor presentation by the Bonn Government.

But in a newspaper interview he also tried to calm the angry political debate over how the far right-wing Republicans were able to attract strong support.

He pointed out that most people who voted for them were registering a protest vote and were not radical right-wingers themselves.

Mr Kohl defended Mr Heiner Geissler, General Secretary of the CDU, the dominant coalition party, who advocates that the CDU should shift leftwards and try to appeal to centrist and Social Democrat voters.

Since the Berlin result his strategy has been under fire from the right-wing CSU, the CDU's sister party in Bavaria. Supporters of the Geissler strategy say that Berlin was an exceptional result caused by local factors such as the housing crisis, the influx of *Aussiedler* (ethnic) Germans and the irritation of the police force (a centre of Republican support) with what they see as a soft approach to left-wing demonstrators.

Yesterday Mr Friedrich Zimmermann, the CSU's Federal interior minister, said that the Berlin election showed that the coalition was losing the support of right-wing voters and called again for a tightening of the law on asylum-seekers. He claimed that 90 per cent of refugees were abusing the liberal asylum laws.

Mr Zimmermann, known for his right-wing views, also attacked the decision of the Hamburg state government to allow guest workers to vote in communal polls – the least politically significant – if they have lived in Germany for eight years. He said that this attacked the constitution and he would raise the matter with the Constitutional Court.

Voting rights at local level have been advocated by liberal politicians as a means of better integrating the large guest worker population few of whom are able to, or wish to, become German citizens.

Although the Berlin result might strengthen the CSU's influence in the coalition, the Republicans may threaten its majority in Bavaria where a loss of votes to far-right parties has been predicted since the death of Mr Franz Josef Strauss, former CSU leader.

MBFR talks end, without accord, after 493 sessions

NINETEEN Warsaw Pact and North Atlantic Treaty Organisation states wound up the Mutual and Balanced Force Reduction (MBFR) talks yesterday – the 493rd plenary session since they began in 1973 – without agreeing on cuts. But there was measured optimism that the new conventional forces negotiations starting next month could achieve results, Reuter reports from Vienna.

The new negotiations, which open formally in Vienna on March 6, will cover the whole of Europe rather than just the central European zone, and will bring in all 23 members of the two power blocs.

The MBFR talks started in an atmosphere of East-West detente which reached its peak with the 1975 Helsinki Accords. But they stalled as superpower relations soured following the 1979 Soviet intervention in Afghanistan.

East-West relations have greatly improved since the 1987 US-Soviet treaty to scrap medium-range nuclear missiles and Moscow's decision to pull out of Afghanistan.

The Soviet chief delegate, Mr Valerian Mikhailov, said the MBFR's study of issues such as verification of a conventional arms treaty could be put to good use in the new talks. Recent announcements by the Soviet Union and its Warsaw Pact allies of unilateral forces cuts were also aimed at creating a better atmosphere for the new forum.

Speaking for the West, the Dutch chief delegate, Mr Lambert Veenendaal, said the MBFR talks had shown that the Warsaw Pact was now willing to tackle the problem of "asymmetries" between the blocs. Nato has long said that East Bloc conventional forces are much bigger than its own and any talks had to address this problem.

East German targets called 'unrealistic'

THE East German economy, while the most successful in the Warsaw Pact, set increasingly unrealistic plan targets last year which led to delays in deliveries and poorer quality goods, according to the German Institute of Economic Research (DIW) in West Berlin, writes Leslie Colitt.

Economic growth last year was 2.7 per cent, the Institute said, the lowest since 1982. East Germany reported last month that growth was 3 per cent. Planned growth in national income (GNP minus services) was 4.1 per cent.

Investments which were seriously neglected in the early 1980s were boosted from 18 per cent of national income in 1985 to 24 per cent last year. DIW said obtaining materials, not financing, remained the biggest problem in investments.

East Germany's industrial output of 3.7 per cent failed to reach the target of 4.1 per cent. Almost all branches except electronics and electrical engineering fell below the target. Frequently this was the result of components shortages which in turn were the outcome of "unrealistic" plans, says DIW.

Turkey-Iran border pact

TURKEY and Iran yesterday signed border agreements to strengthen policing and tighten up on smuggling, writes Jim Bodgener in Ankara. The three accords are aimed in particular at heroin smuggling and separatist Kurdish guerrilla infiltration. The atmosphere of border co-operation emerging from talks between the two countries has apparently eased a chill in relations which resulted from the expulsion by Turkey last October of Iranian diplomats who were attempting to smuggle a kidnapped Iranian dissident over the border. The agreements are expected to pave the way for a visit by Iran's Prime Minister to Ankara this month.

East bloc commander replaced

MARSHAL Viktor Kulikov has stepped down as commander-in-chief of Warsaw Pact forces and has been replaced by General Pyotr Lushev, the Soviet First Deputy Defence Minister, Tass said yesterday, Reuter reports from Moscow.

The Soviet official news agency said Marshal Kulikov had asked to be relieved of his duties to allow him to take up a job at the Defence Ministry.

Gen Lushev, 65, a Russian, is a former commander of Soviet troops in East Germany and has been a First Deputy Defence Minister since 1986.

Tass said: "General of the Army Pyotr Lushev, First Deputy Defence Minister of the USSR, has been appointed commander-in-chief of the joint armed forces of the Warsaw Treaty member countries by agreement of the allied governments."

Marshal Kulikov, 67, had been commander-in-chief of Warsaw Pact forces since January 1977.

His successor, Gen Lushev, has risen rapidly in the Soviet military hierarchy under Mr Mikhail Gorbachev, the Soviet leader, and advocates ideas seen as close to those of Mr Gorbachev.

His writings stress themes such as increased discipline, decentralisation of command and control, changing military personnel policies, conventional instead of nuclear warfare and arms control proposals involving denuclearisation.

Born in Arkhangelsk in October 1923, Gen Lushev joined the Red Army in 1941, the year of the Nazi invasion.

After commands both in East Germany and the Soviet Union, he was promoted in 1981 and took over as commander of the Moscow military district, a much sought-after post close to the political leadership.

SPD tests the water in West Berlin

By Leslie Colitt in Berlin

THE TWO largest political parties in West Berlin, the Christian Democrats (CDU) and the Social Democrats (SPD), began talks yesterday on a possible coalition after the election last Sunday in which the ruling CDU lost heavily and an ultra-right wing party, the Republicans, entered parliament.

Mr Walter Momper, head of the SPD in West Berlin, said he was also having talks with with the Alternative List (AL), the city's "green" party, without preferring either. A groundswell of sympathy exists among Berlin SPD members for an alliance with the AL which would give the SPD a governing majority.

However, the CDU Mayor, Mr Eberhard Diepgen, warned against an alliance between the SPD and AL which, he said, could have implications for the opposition SPD in Bonn.

He said that, as head of the largest party, he was entitled to remain as Mayor. Mr Momper, whose party gained strongly, winning 37.3 per cent of the vote against 37.8 per cent for the CDU, insisted that he should have the job.

A "grand coalition" of CDU and SPD is viewed sceptically by both sides, however. They recall that the CDU-SPD coalition in Bonn, from 1965 to 1969, led to the extreme right-wing NPD gaining protest votes and seats in seven state parliaments.

Yet another possibility exists of a minority SPD government formed with the tacit support of the CDU. This, though, is considered unlikely unless the CDU sees an imminent threat of a coalition between the SPD and the AL.

Mr Momper said that for his party to form a coalition with the CDU, the latter would have to re-introduce rent control in older housing, cancel recent cuts in health benefits, and give the vote in Berlin elections to foreigners who have lived in the city for five years.

Mayor Diepgen: determined to stay on in the job

His demands on the AL were equally far-ranging:

● Recognition of the three-power city's legal unity with West Germany by accepting each West German law presented to the West Berlin legislature for approval as law in the city – which is not part of West Germany politically.

● Acceptance of the sovereignty and presence of the Western Allies.

● Dissociation by the AL from the use of force in political disagreements and recognition, without reservation, of the state's monopoly of force.

The AL, which has called for the Allied presence in the city to be reduced to a minimum, indicated that it could accept all these points but that the last would be the most difficult to swallow.

Even if a coalition is formed with the AL, however, many SPD politicians think it will be fragile. It is widely felt that it will probably be necessary to call new elections later this year.

Germans lose sausage battle

By Tim Dickson in Brussels

ALMOST two years after losing a bitter battle to protect the purity of their national beer, West Germans yesterday suffered a second legal assault on their palate.

The European Court of Justice rejected the Bonn Government's arguments for keeping out foreign sausages and other meat products on the grounds that they are not wholesome enough for local eaters. The ruling is important for the overall development of European food law.

The court upheld the complaint of the European Commission that the German action contravened Article 30 of the Treaty of Rome, which guarantees the free circulation of goods.

The case reinforces the principle of "mutual recognition" applied in Brussels, whereby EC members have to accept food products from other EC countries provided they are safe and clearly labelled. This approach has been used by the court in earlier judgments to uphold the rights of German drinkers to sip the French concoction Cassis de Dijon and of Italian consumers to sample pasta not made in the traditional manner.

West Germany put forward four main arguments to justify its ban on imported sausages containing certain vegetable ingredients (mainly soya): health, consumer protection, undue competition, and the need to support the EC's common organisation for beef.

The court said German anxiety that its citizens might not get enough protein was contradicted by its own reports that Germans eat too much meat; that the consumer can be protected by proper labelling and that existing EC law already backs this up, and that it is for the Community as a whole not the member states individually to take measures to protect the Common Agricultural Policy.

The prospect of British bangers now flooding across the West German border should not be ruled out – but the reaction to the beer ruling may suggest otherwise. West German officials say that the share of the market taken by foreign imports has barely moved and that local drinkers are sticking to their established tastes.

Hard-pressed COB switches its attention to Société Générale

French bourse watchdog on new trail

By George Graham in Paris

WITH ITS inquiry into the Pechiney-Triangle insider trading affair barely closed, the Commission des Opérations de Bourse (COB), France's stock market regulator, has had to switch its scant investigation resources to dealings in the shares of Société Générale, the privatised bank.

The COB had repeatedly refused to open a formal inquiry into Société Générale, although the bank itself had drawn the commission's attention to apparent anomalies in trading patterns, and although Mr Roger Fauroux, the Industry Ministry, had called for an investigation.

New information appears, however, to have come to light on dealing during the period from June 1, leading up to the delaration on October 24 by Mr Georges Pebereau, the financier, that he had accumulated a stake of 9.16 per cent, later increased to 10.36 per cent.

The Socialist Government has appeared increasingly keen for an inquiry as political pressure mounted over the Pechiney and Société Générale affairs.

The Government was affected by the Pechiney inquiry because of allegations that insider information could have been leaked by one or more of the civil-servants who knew that the state-owned aluminium company was about to buy Triangle and its subsidiary, American National Can.

In the case of Société Générale, on the other hand, it is the Government's own policy which has come under the spotlight. After initially denying any involvement, Mr Pierre Bérégovoy, the Finance Minister, has since made it clear that he encouraged Mr Pebereau's raid as part of a strategy of unravelling the alliances of friendly shareholders put in place by the last right-wing Government at the time of the privatisations.

The COB's two other current inquiries involve more clear-cut judgments on whether specific transactions were improperly carried out. The first relates to whether sugar dealer Beghin-Say, controlled by the Italian financier Mr Raul Gardini, correctly valued a 7 per cent stake in Montedison, the Italian chemicals group, which it bought for FFr1.91bn (£171m) and then sold it to another Gardini company for a total value of only FFr1.05bn (£94m).

The second covers heavy trading in the first week of January in the drinks and luxury goods conglomerate LVMH, shortly before it announced a 50 per cent rise in 1988 net profits, and at the time that Mr Bernard Arnault, who has since taken over as the group's chairman, was buying a further 300,000 shares for around FFr3.5bn.

The target of the Société Générale investigation is less clear, and the COB's earlier inquiries related mainly to whether Mr Pebereau had respected French rules on the declaration of stakes.

Société Générale, however, last year drew the COB's attention to its doubts over the conditions in which Mr Pebereau bought 2.5m of the bank's shares in October, most of them on October 20.

Mr Pebereau and the investors backing him have hotly denied press claims that packets of shares were "parked" earlier in other associated companies before being transferred to SIGP, the main vehicle for the group's stake in Société Générale, on October 20.

SIGP said yesterday that it welcomed the COB inquiry, adding that between August and November it had bought a total of 5.746m Société Générale shares, only a quarter of those that changed hands on the Paris market.

Mr Christian Pellerin, a property developer who was among the original backers of Mr Pebereau, said yesterday that COB investigators had visited him earlier this week. He said he had invested in Mr Pebereau's attempt to become Société Générale's leading shareholder, on the understanding that the move was friendly, but had also directly bought 33,000 Société Générale shares at prices between FFr448 and FFr471.

He had sold them all on November 8, at FFr548 a share, when a senior Société Générale official assured him that the bank regarded Mr Pebereau's stake as hostile.

THE FRENCH Government is freezing FFr10bn (£900m) of budget spending for the next six months as a precautionary response to concern over the continuing heavy foreign trade deficit, writes Ian Davidson in Paris.

In economic terms, the temporary freeze is being described as "small measure of fine tuning", since it will affect less than 1 per cent of the 1989 budget of FFr1,165bn. The budget management impact will be relatively larger than this, however, since wages and a number of top priority budgets will be exempted, including education and research. The freeze may therefore affect some 2½ per cent of the remainder of the budget lines.

The freeze order is expected to be circulated to ministers today by Mr Michel Rocard, Prime Minister. According to his office, the Government has no worries about inflation or over-heating of the economy, but is concerned by the trade figures, which showed a deficit of FFr33bn in 1988, and within that total a deficit in trade in industrial goods of FFr42bn. The freeze will be re-examined in mid-year.

Italian businesses adapt to new frontiers as open market looms

By John Wyles in Rome

AROUND 30 per cent of Italian small and medium-sized businesses are already well down the path to adopting a more international outlook to their activities, according to a broadly optimistic report published yesterday about this sector's prospects in the European Community's open internal market.

How small and medium-sized business fares after 1992 is more crucial for the Italian economy than for the other three major EC powers: Germany, France and Britain.

Outdated official figures from 1981 suggest that 99.2 per cent of all Italian companies employ fewer than 100 people, and that these probably account for a larger proportion of the workforce than the 39.2 per cent they were employing in 1971.

According to a report by Censis, the Italian research agency, 24.6 per cent of small businesses, largely manufacturing industrial components and employing between 100 and 200 workers, are drawing a growing proportion of their sales from exports and have developed "international" characteristics such as trans-border commercial agreements, purchase of raw materials abroad and technical assistance agreements with foreign partners.

A smaller group of 4.3 per cent, largely engineering companies with more than 200 employees, is deriving up to 75 per cent of its sales from abroad, and is involved with technology sales to foreign partners, joint ventures, production agreements and making direct investments abroad.

Less positively, Censis says about 59 per cent of small companies are exporters of more traditional consumer goods, such as textiles, clothing, shoes and furniture which are mostly involved with foreign markets and operators only through wholesalers and distribution chains. A further 13 per cent, largely based in southern Italy, are mostly offshore production centres for foreign companies manufacturing leather, wood and furniture products.

Overseas sales from this majority group tend to be static and to involve products for which both price and demand is expected to fall in world markets, says Censis.

The report compares the performance of Italian industry against its counterparts in Germany, France, the UK, the US and Japan.

The US and Japan dominate productivity, measured in terms of value added per employee. In all sectors but research the report suggests Italy is running well ahead of the UK and only moderately behind Germany and France. With the US and Japan valued at 100, Italian productivity comes out at 59, against 42 for the UK and 65 each for France and Germany.

The report also looks at mergers and acquisitions in 1988 and finds that Italian companies acquired 48 companies abroad last year while foreign companies acquired 92 Italian.

Biggest air freighter under test

By Quentin Peel in Moscow

THE SOVIET UNION this week unveiled an aircraft designed to be the biggest, heaviest jumbo freighter in the world.

The six-engined, 32-wheeled Antonov 225 can carry a load of up to 250 tonnes, either inside its huge hold or piggy-back on top of its fuselage.

Fully-laden, it needs a runway of 3.5km to take off, and has a range of just 4,500km, at a speed of 750-850 kph.

Christened Mrya (Dream in the Ukrainian language) by the Oleg Antonov aircraft design bureau in Kiev, the latest Soviet contribution to massive machinery has just completed its first round of 22 test flights over five weeks.

A magnified version of the already-large AN-124, the Ruslan, the new monster is clearly intended to assist the Soviet space programme by transporting the space shuttle, and sections of the Energia launch rocket, on its back.

It could also be used in opening up the oil and petrochemical plants of Siberia, according to Mr Pyotr Balabuyev, chief designer of the Antonov plant.

Two more years of testing lie ahead before the aircraft will go into production and, even then, only a handful will be built.

Greeks strike for political and economic reforms

By Andriana Ierodiaconou in Athens

THE GREEK Socialist Government, mired in allegations of involvement in a host of financial scandals, yesterday faced the additional spectre of a prolonged wave of labour unrest as more than 1m workers staged a one day nationwide strike.

The strike, called to back demands for economic and political reform, disrupted industries, airports, ports, hospitals, banks, schools and other services. Its organisers pledged continued industrial action in the coming months.

The strikers were calling for higher pay and the institutionalisation of index-linking in the public and private sector.

They also backed a unanimous opposition call for the holding of immediate general elections under a system of direct proportional representation eliminating the present bias in favour of larger parties.

Meanwhile an Athens prosecutor yesterday filed criminal charges against Mr George Louvaris, a former director of the state trading company ITCO, in connection with the scandal involving jailed banker and press baron Mr George Koskotas. Mr Louvaris was charged with "receipt of criminal proceeds" and banned from leaving Greece.

The prosecutor confirmed that the charges were based on recent testimony by a former Koskotas bodyguard. According to Greek press reports of the testimony, the bodyguard alleged that money was passed to Mr Louvaris in 5,000-drachma notes packed in an empty box of disposable nappies.

A further note of farce was lent to the situation by the revelation that details of a supposed CIA plot to overthrow the Greek Socialists published by two pro-Government newspapers on Wednesday, and endorsed by a Government spokesman, were in fact lifted directly from a book on political events in Panama recently issued in Greek translation.

Crash jeopardises Swedish combat aircraft project

By Sara Webb in Stockholm

SWEDEN's biggest and most ambitious defence project, the JAS 39 Gripen multi-role combat aircraft, yesterday ran into new difficulties when a prototype crashed on landing at an airfield in Linköping and was seriously damaged.

The accident seemed likely to mean further delays for the project which has already faced technical problems and has come under attack for overshooting its budget.

Investigating teams immediately started work to discover the cause of the crash.

"It's a death blow," said Mr Stig Holmström, chief test pilot for the aircraft. Swedish defence officials, however, said yesterday that it was too early to say whether the project was in jeopardy.

The aircraft which crashed was one of five prototypes ordered as part of a SKr42bn (£3.8bn) programme to modernise the air force. The first 30 of a total order of 140 are scheduled for delivery in 1992.

Canal Plus in West German pay-TV venture

By Haig Simonian in Frankfurt and George Graham in Paris

CANAL PLUS, Europe's leading pay television station, has formed a joint venture with Bertelsmann, the West German publisher, to develop a pay channel for the German market.

UFA Film- und Fernseh, Bertelsmann's film and TV subsidiary, and Canal Plus will be joint partners in a new company which hopes to start broadcasting via the French TDF 1 satellite early next year.

The channel is expected to show a mixture of new films, cultural, sports and "events" programmes, according to Mr Bernd Schiphorst, chief executive of UFA Film- und Fernseh.

Charges have not been decided but are likely to be DM30-DM50 ($15-$27) a month, he said. Subscribers to Canal Plus pay FFr150 ($24) a month.

Canal Plus, which started up in 1984, was Europe's first pay television channel.

Dawn begins to break over Norway's long economic night

The Labour Government is winning praise for an unexpectedly fast recovery, writes **Robert Taylor**, recently in Oslo

AFTER a period of hard slog, and politically painful austerity, smiles are returning to the faces of Norway's economic policy-makers for the first time since falling oil prices plunged the country into crisis in mid-1986.

Even Mr Jarle Bergo, the central bank governor who less than a year ago was making gloomy predictions and berating the Government's lack of resolve, is taking a more optimistic line. "We are on the road to recovery unexpectedly fast," he now says. "The way the Government has handled the situation has been admirable."

There are some sound reasons for the more buoyant mood. Take external balances: the current account is expected to move into the black this year, assuming oil prices do not fall, after a shortfall of NKr13.5bn (£1.14bn) last year. In 1986, the deficit soared to NKr41.4bn or 8 per cent of gross national product.

The Government's prices and incomes policy, introduced last March with penal sanctions, has proved surprisingly successful.

Wages are estimated to have risen about 5.5 per cent over the past year, with the increase in the public sector pegged at 3.5 per cent. Although prices rose by 6.7 per cent in 1988 as a whole, there was hardly any increase in the price index in the past few months.

Nobody now fears that there will be a wages explosion when the present policy ends next month. Both trade unions and employers appear ready to negotiate a respectable umbrella pay deal this year of between 3 and 4 per cent, without the need for government intervention.

After plunging in the past few years, living standards are now bottoming out. Real disposable income dropped by 6.4 per cent between 1985 and 1987; it fell by 1.4 per cent last year, and a decline of only 0.3 per cent is expected this year.

"The necessity for restraint is now broadly understood by most people and there has been an equality of sacrifice," says Mr Bergo. "We had been living beyond our means and it was necessary to readjust."

Productivity in the manufacturing sector rose by 4 per cent last year. Back in 1986, Norway's unit labour costs jumped by 10.8 per cent; now they are rising by a modest 1.5 per cent a year. This has meant at least a 1 per cent improvement in the country's competitiveness.

The Finance Ministry is predicting an annual growth rate of 1.9 per cent this year which, though less than the average for Western Europe, is a considerable improvement over the stagnation of the past two years.

The export performance of the non-oil economy, in traditional sectors such as aluminium smelting, pulp and paper and engineering has been much better than predicted. Last year alone there was a 20 per cent increase in the value of mainland exports.

At the same time imports fell by 3 per cent in value and 6 per cent in volume in 1988. They are set to decline still further this year, though more modestly.

The booming stock market, as well as the apparent ability of the krona to withstand a sudden bout of ill-informed talk of devaluation which broke out last November, suggests confidence is flowing back into the economy.

The fact that the Bank of Norway has felt able progressively to cut the rate at which it lends to the banks (from 13.8 per cent to 11 per cent over the past nine months) is a further sign of improvement.

The short-term lending rate differential between Norway and its trade rivals is down from 7 percentage points at the start of last year to 3 points today, the smallest differential in four years, while money market rates are the lowest they have been since the spring of 1981.

There is one growing problem: unemployment. A rate of 4 per cent may not sound high when set against the West European average of around 10 per cent, but it is the highest Norway has seen since the pre-war depression, and in Oslo it counts as a "crisis".

Mrs Gro Harlem Brundtland, the Labour Prime Minister, who faces a general election in September, is expected to announce a package of job-creation measures in time for the party congress in March.

But she made it clear this week there would be no wholesale abandonment of belt-tightening policies. "We must not implement measures which could undermine the positive results (we have achieved) regarding inflation and costs," she told parliament.

The temptations to break away from the straight and narrow with a spending spree must have been considerable over the past two and a half years, but so far political nerves have held.

Whether this will guarantee the Labour Party victory in September is not yet clear – but at least Mrs Brundtland has an economic record that now carries some credibility with the outside world, if not with the Norwegian voters.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E.Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Bracken House, Cannon Street, London EC4P 4BY. © The Financial Times Ltd, 1989.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage and at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Financial Times (Scandinavia) Ltd, Ostergade 44, Copenhagen, DENMARK.

De Klerk reaps benefit of perfect orthodoxy

By Anthony Robinson in Johannesburg

IT WAS a close fight but in the end South Africa's long-ruling National Party yesterday opted for the safe, orthodox figure of Mr Frederik Willem de Klerk, the 53-year-old Transvaal party boss as its new leader. He got the job partly because he has learnt, like his Soviet and American counterparts, the difficult art of playing heir apparent.

The key to success lies in presenting at all times a public image of impeccable orthodoxy, personal modesty and loyalty to the boss. The real Mr de Klerk can now stand up, although he will not really be his own boss until President Botha relinquishes the presidency and he has fought and won an election.

A lawyer by training, Mr de Klerk practiced in the Transvaal industrial town of Vereeniging which elected him as its MP in 1972. Six years later he was promoted to the cabinet. But he was never given key portfolios such as defence, constitutional development, law and order, finance or foreign affairs.

These are the portfolios usually considered the proving grounds for a future leader. His briefs included posts and telecommunications, sport and recreation, mineral and energy affairs and latterly leadership of the all-white House of Assembly – all worthy posts.

He was never regarded as the favoured son by President Botha whose power base was the Cape and who favoured men from his own region.

Mr de Klerk's most important role to date has been as party boss in the Transvaal. He took over this hot seat from Mr Andries Treurnicht in 1982 when the latter walked across the floor of Parliament to set up a right-wing Conservative Party opposition. Since then Mr de Klerk's main task has been to stem the right-wing advance in the conservative Afrikaner heartland.

It has been an uphill struggle for the dapper, courteous lawyer with a sharp mind and bald head. Afrikaners in this part of the world expect their politicians to have thick wrists and hides like a rhinocerous.

Mr de Klerk is not one of those, either literally or metaphorically. Fortunately neither is Dr Treurnicht. But Dr Treurnicht does have the advantage of being a former "dominee" of the Dutch Reformed Church. The cloth is excused many things in this Calvinist world of traditional afrikanerdom, while lawyers are not.

Mr de Klerk's way of combatting the right wing tide has been to project himself as a conservative too, but a sensible, rational conservative with an impeccable nationalist pedigree. His great-grandfather became leader of the now-defunct senate, while his father, Senator Jan de Klerk, served as a cabinet minister under prime ministers Verwoerd and Vorster.

By contrast, his elder brother, "Wimpie" de Klerk, is one of the leading "verligte" or enlightened Afrikaners. Ironically, Wimpie is currently leader of the so-called "fourth force" engaged in negotiations with three other liberal opposition parties to form a new united left-wing alternative to National Party rule.

In an interview with the Financial Times two years ago, Mr de Klerk made clear his belief in the need to protect group or ethnic interests.

"Each group must have its own power base, its own executive and legislature and autonomy over its own affairs like education and welfare," he said.

This remains his public position. The trouble is putting this neo-apartheid theory into practice has alienated both the right, which sees it as a betrayal, and those on the left who argue that Afrikaners, and the whites as a whole, must move forward towards a non-racial future.

Party crown passed to safe heir apparent

Anthony Robinson reports on selection of the man likely to succeed P.W. Botha

IN CHOOSING Frederick Willem (F.W.) de Klerk as their new leader, MPs of South Africa's long-ruling National Party yesterday opted, narrowly, for caution and conservative pragmatism.

Those are the principal political characteristics of the man who is now virtually certain to become the next executive State President, as soon as President P.W. Botha relinquishes the highest office.

Yesterday, Mr Botha submitted his resignation as party chief in a move which took most people by surprise, including many in his own party. After three close-fought ballots, Mr de Klerk, the 53-year-old Transvaal National Party boss, was chosen by 69 votes to 61 over his nearest rival, Mr Barend du Plessis.

The strong showing by Mr du Plessis, well-liked by President Botha despite a lack-lustre performance as Finance Minister, indicates that this representative of the younger, liberal or *verligte* (so-called enlightened) wing of the party picked up many of the votes cast in the first two rounds for Mr de Klerk's main defeated contenders.

They were Mr Pik Botha, the impulsive Foreign Minister who was eliminated in the first round, and Mr Chris Heunis, the Minister for Constitutional Development and NP leader in the Cape, who was knocked out in the second round.

The constitution gives the majority party in the white House of Assembly a substantial majority of 50 of the 88 seats in the presidential electoral college. Provided the National Party retains its unity behind Mr de Klerk he will thus become head of state and head of government once 73-year-old President Botha decides to offload the remaining burdens of high office.

Mr Botha's decision to step down as party leader appears to have been a personal decision, aimed principally at ending uncertainty and putting a halt to the increasingly bitter internal struggle for the succession which followed his "mild stroke" last month.

It also reflects the necessity for prompt action to deal with revelations of corruption which otherwise threaten to dent the ruling party's image.

Informed speculation in political circles has it that Mr Botha will also step down as President well before his mandate expires in September. According to the constitution only the State President has the power to call a general election. With political power now in Mr de Klerk's hands that decision should also be logically his.

In any event elections for all three houses of the racially segregated houses of parliament must be held by September 1989 or April 1990 at the latest, unless a majority of all three houses decides to prolong its life for another two years.

Before his illness Mr Botha was expected to call a snap election, possibly as early as April or May. The right-wing tide, which had been rising steadily since the Conservative Party broke away from the NP in 1982, appears to have peaked at municipal elections last October.

Since then the right has been embarrassed by black reaction to the attempt of CP local councils to return to old-style apartheid in places such as Boksburg and by allegations concerning the sexual and drinking habits of Mr Eugene Terre'blanche, firey leader of the para-military Afrikaner Resistance Movement.

The left meanwhile has been squabbling in public over the leadership and policies of a mooted united "left wing" alternative party.

Taken together with rosy prospects for an end to the war in Angola and independence for Namibia the pundits were betting on early elections before right and left could regroup, before the Namibian deal has a chance to unravel and before rising inflationary pressures and a lower gold price hit the economy, as expected, later this year.

The whiff of corruption, meanwhile, has fallen over this otherwise rosy picture. The timing of some revelations, in particular those concerning alleged abuse of office and illicit property deals involving Mr Pietie du Plessis, who had to resign as minister, indicated that they were not unconnected with the backstage power struggle. Mr du Plessis was a supporter of Mr Pik Botha, the Foreign Minister.

Thus far at least Mr de Klerk, has not been implicated in any of the scandals which have come to light. This no doubt strengthened his hand in the caucus vote and makes it possible for him to start out as party leader by promising a clean administration and war on corruption. That is exactly how Mr Botha himself began when he took over the premiership in 1978 in the wake of the "information scandal" which toppled his rivals for the succession to Mr John Vorster. The "info-scandal" involved illegal use of public funds to finance a propaganda campaign at home and abroad.

Given the short remaining life of the current parliament, his clean image and his middle-of-the-road Afrikaner nationalist ideas, Mr de Klerk will also doubtless be tempted to go for elections sooner rather than later. In this way he could hope to consolidate power and gain a fresh five-year mandate for the party.

Such a government with a new leader, a solid majority and a fresh mandate would be in a strong position to tackle the unresolved issues of the Botha era.

Top of that agenda must rank the opening of power-sharing negotiations with representative black leaders, including those within the banned African National Congress. Another top priority will be dismantling the remaining vestiges of apartheid, such as the Group Areas Act while protecting the legal, civil and cultural rights of all South Africa's ethnic communities.

Belgians ponder the costs of a break with Zaire

Report by David Buchan and William Dawkins in Brussels and Akwe Amosu in London

BELGIUM's Cabinet will discuss later today for the umpteenth time in recent months what to do about its *fast-worsening relations with* Zaire, amid calls in Kinshasa for diplomatic rupture with Brussels and evidence that *Zaire is shifting* economic ties away from its former colonial master.

Belgian officials believe that Zaire will not act on the recommendation this week of the central committee of the ruling MPR party to break or suspend diplomatic ties with Belgium while its leaders, President Mobutu Sese Seko, is on a visit to Morocco.

The trigger of the row was President Mobutu's rejection of a Belgian offer early last November to soften debt repayment terms after he took offence at remarks made in the Belgian media.

But even those hardened to ups and downs in relations with Zaire see a new seriousness of intent to sever the links that have lasted since its independence from Belgium in 1960.

Zaire's reported contract to pay Klöckner, the German steel company, $30m to build a copper refinery in Shaba appear to give substance to Zaire's threat to reduce its shipments of raw copper to Belgian refiners.

Metallurgie Hoboken (MHO), the Belgian metals refiner, yesterday expressed concern that if the Klöckner deal went ahead, its Zairean supplies could dry up. It gets one third of its raw copper from Zaire on a refining contract with Gecamines, the Zairean state mining and marketing organisation.

Executives at Société Générale de Belgique, the giant Belgian holding which owns MHO, point out that metal refineries take several years to build and bring on stream. But Société Générale has already seen other of its interests hurt, with the recent withdrawal of Zairean deposits from a Kinshasa-based bank it controls.

Meanwhile, Sabena was yesterday negotiating in Brussels with Air Zaire management, trying to restore a full service to Kinshasa which the Belgian carrier had made the hub of its African network.

The existence of these economic ties explains, in part, why the Belgian Government has been relatively passive in the face of mounting Zairean attacks on the inadequacy of Belgian government debt relief, on Belgian press criticism of waste and corruption on the part of Mr Mobutu and his officials.

The only concrete riposte from Belgium, so far, has been to suspend new development aid, in response to Zaire denouncing its aid treaties with, and freezing debt repayments to, Belgium.

Zaire is thought to owe a total debt abroad of $8bn, of which Belgium is owed $1.09bn – $467m of it to the private sector – making it one of Zaire's most vulnerable creditors.

But Zaire also gives Belgium its one opportunity for an active foreign policy beyond the European Community. This is why Belgium still devotes 30 per cent of its BFrs 5bn (£72m) a year aid budget to Zaire.

Now the Zairean crisis is placing fresh strain on the Government, particularly between Mr Wilfried Martens, the Prime Minister, and Mr Leo Tindemans, the Foreign Minister.

The latter embarked on a last ditch effort to improve relations with Zaire with his trip to Kinshasa last week.

When it failed, he blamed Belgium's French-speaking press for undermining his mission with its continued criticism of Zaire. (Since the Belgians only taught French to the Zairois the Flemish press can write what it likes without offending Kinshasa.)

The speculation here is that Mr Mobutu faces restiveness from a whole generation of young Zairois whom he feels need to be told of the evils of Belgian colonialism or neo-colonialism which they never lived through. The foreign relations crisis may be also be providing a welcome distraction from domestic stresses and strains which have thrown up strikes in Kinshasa hospitals and the university lately.

In addition, of course, he faces an economic crisis compounded by his failure to reach terms with the International Monetary Fund (IMF) on a new standby loan.

Kinshasa signed a deal with the IMF in May 1987 granting a structural adjustment facility

Mobutu: in Morocco

worth SDR184.79m (£248m) over three years, to be renegotiated annually.

Relations with the Fund have been rocky, however, with harsh words spoken midlast year over the size of the budget deficit. It should be noted in Zaire's favour however that it has consistently had to pay out more in debt service than it has received in all forms of capital flow from bilateral donors.

As a result of the dispute with the IMF, only 25 per cent of the 12-month stand-by loan had been released by the end of the first year. In the absence of an alternative source of funds, however, Zaire was forced to present new proposals on their points of disagreement in the autumn.

The thaw may have been hastened by the return of Mr Kengo wa Dondo – closely associated with administering of an earlier dose of IMF-linked austerity – to his former position as prime minister.

Four delegations have visited Kinshasa since October and Fund sources now believe they are ready to draw up a new agreement for the second year of the three year-facility and end the hiatus. If all goes well, a programme for 1989, based on Zaire's forthcoming budget seems set for signing in March.

The fact that the Belgian representative on the IMF board has consistently spoken up in favour of granting the new stand-by arrangement has not mollified Mr Mobutu, who wants more cash from Belgium directly.

But Mr Martens appears to be standing firm on the debt relief he offered last November when he visited Kinshasa. Writing off one fifth (BFrs 1bn) of Zaire's state-to-state debt to Belgium seems to be as far as the Belgian leader is ready to go for the moment.

W Australia votes on the Alan Bond issue

By Chris Sherwell in Sydney

A CRUEL joke is being told by Western Australia's opposition Liberal and National party coalition as part of its bid to dislodge the ruling Labor Party in the state election tomorrow. "What's the difference between Alan Bond and Peter Dowding?" it goes. "One runs the state and the other one's the premier."

No story better illustrates how the Labor Government's involvement in and with business – usually described by the catch-all phrase "WA Inc" – has become the biggest issue of a bitter, four-week campaign.

Under the charismatic Mr Dowding, who is 45 and became Premier just 14 months ago, Labor is seeking a record third term in office. It has fought strongly to shake off criticism of its costly financial dealings with Mr Bond and others.

His opponent, 44-year-old Liberal leader Mr Barry MacKinnon, has pressed the issue home relentlessly. If he wins, the result will add to Mr Bond's problems. It will also influence decisions being made by the federal Labor Government, which is widely expected to go to the polls before the end of the year.

Watching closely, too, will be the Labor Government in South Australia and the National Party Government in Queensland, both of which are scheduled to call elections this year or early next.

The two sides are fighting for 57 seats in the parliament's lower house, and 34 in the upper house. Labor has 38 seats in the lower house and, after making allowances for new electoral boundaries, the opposition needs a swing of some 6-8 per cent to win.

Neck and neck

Opinion polls put the two parties neck and neck. Mr Dowding is hoping his popularity rating, which is far ahead of the duller Mr MacKinnon's, will swing the result. Labor is playing to this strength with the slogan "Peter Dowding – a future you can believe in", and avoids all references to the party.

Mr MacKinnon has repeatedly pointed to the Government's disastrous financial dealings – notably the collapse of the Rothwells Bank and Teachers Credit Society, and the heavy investment with Mr Bond in a controversial A$1bn (£500m) petrochemical plant – and insists: "There must be a better way."

But the Liberals clearly lack Labor's financial muscle, and suffer from obvious internal strains with their partners in the independent rural-based National Party.

According to most analyses, the outcome will be decided by the preferences of voters who decide to back a multitude of minority parties, which include "green" environmentalist groups, "grey" pensioner groups and the established Australian Democrats.

Although the state is larger than the whole of Europe, most of the candidates' efforts are concentrated on the populous south-east, around Perth, where some 85 per cent of the 1.4m population live. Attention is focused in particular on 10-30 marginal constituencies, typically in the so-called "mortgage belt".

Businessman

No businessman has featured more prominently in the battle than Mr Bond, who owns Perth's monopoly morning newspaper and a national television network, and is a giant in the local brewing, property and goldmining industries.

He stands to suffer from a Liberal victory because Mr *MacKinnon is against state* involvement in the petrochemical plant project. The two men have clashed repeatedly, with *Mr MacKinnon calling Mr* Bond "one of the joint managing directors of WA Inc".

Mr Bond's newspaper, the West Australian, *has also been* criticised for its allegedly biased role in the campaign. And when, in an interview on *his own network, he rashly* gave a powerful endorsement of Mr Dowding, it backfired and became a gift for Mr MacKinnon.

The Premier's efforts to shake off criticism, by saying he is correcting others' mistakes and pointing to the future, have nevertheless worked surprisingly well. Australian voters tend to dislike too much abrasive campaigning, and Labor hopes the opposition's attacks will ultimately backfire.

Both sides have brought in political personalities from outside to help in the campaign, and are using sophisticated direct-mail techniques to rally support. If the campaign has lacked real excitement, it has expended plenty of energy. And much hangs on the outcome.

UN sets up Iran-Iraq military body

By Andrew Gowers, Middle East Editor

THE United Nations will this month set up a military working group involving officers from both Iran and Iraq to consolidate the fragile Gulf ceasefire which took effect last summer.

Formation of the so-called Mixed Military Working Group, to be announced by the UN today, is a small token of progress in the otherwise stalled attempts to ease tension between the two countries after their eight-year war. The body, to be chaired by General Slavko Jovic, the Yugoslav commander of the UN's 350-strong Iran-Iraq Military Observer Group, is expected to hold its first meeting later this month to consider setting up a dimilitarised zone along the 740-mile border.

The working group was originally proposed by Mr Javier *Perez de Cuellar, the UN* Secretary-General, when the ceasefire took formal effect last August. Iran agreed at the *time, but Iraq only announced* its assent last Sunday during a visit to Baghdad by Mr Jan Eliasson, the Secretary-General's Gulf mediator.

The Iran-Iraq talks have been in suspension since November 11.

Hope for Britons

The Foreign Office in London said yesterday it would study progress towards the possible release of the British hostages held in the Middle East, and of Mr Roger Cooper, the businessman held without trial in Tehran, before agreeing to exchange ambassadors with Iran.

A Foreign Office spokesman said yesterday that an exchange of ambassadors over the next few months is "not automatic".

A charge d'affaires, Mr Nicholas Browne, has arrived at the British embassy in Tehran, taking the British diplomatic presence to three as part of the process of building up *embassies in both capitals to 16* diplomats.

Australian rate up

The Reserve Bank of Australia yesterday lifted its rediscount rate to 15.7 per cent, up 0.3 of a point, amid continued market doubts about government denials of a tightening of monetary policy, Chris Sherwell writes.

The rediscount rate is the rate at which the central bank buys back Treasury bills before maturity, and it has now risen 13 times since July, when it last bottomed out at 12.5 per cent.

Philippines and IMF in accord

By Richard Gourlay in Manila

THE International Monetary Fund and the Philippines have buried differences over key economic policies that had prevented agreement on a $1.3bn loan deal last December and held up a string of international negotiations for new aid and loans.

The agreement in principle reached between Mr Prabhabar Narvekar, director of the IMF's Asian department, and Mr Vicente Jayme, the Philippines' Finance Secretary, opens the door for a resumption of talks with commercial bank debtors for up to $1.6bn of new money as early as next month. Rescheduling of debt owing to the Paris Club of official creditors will probably have to wait till a new package is signed with the IMF probably in May, analysts said.

An IMF team will return to the Philippines in two weeks, stay about three weeks and then present its report to the Fund management, Mr Jayme said.

He said the breakthrough followed agreement in principle on the allowable public sector deficit, projections of tax collections, the target growth rate and measures to safeguard public sector investment.

The Philippines owes about $28.9bn, about half of it to commercial creditors.

Marcos 'critical' after surgery

By Richard Gourlay

MR Ferdinand Marcos, the deposed Philippine president, *is in a critical condition and* breathing only with a respirator after a tracheotomy operation, according to a spokesman *in the Hawaii hospital where* he underwent surgery earlier this week.

Philippine Vice-President *Salvador Laurel left Manila* yesterday for Hawaii to act as an intermediary between President Corazon Aquino and the *ailing former dictator*.

Mr Marcos has repeatedly asked to be allowed to return to the Philippines from where he fled almost three years ago but Mrs Aqunio has said he must first return billions of dollars he allegedly stole during 20 years in office.

Need for supervision in Kampuchea

MR Eduard Shevardnadze, the Soviet Foreign Minister, and Qian Qichen, his Chinese counterpart, agreed in Peking yesterday that international supervision will be needed to ensure peace in Kampuchea after Vietnam ends its 10-year-old occupation later this year, AP reports from Peking.

Mr Shevardnadze is in Peking to finalise details for the first Sino-Soviet Summit for 30 years. President Mikhail Gorbachev is expected to meet Deng Xiaoping in Peking before the summer, although no date has yet been announced.

Li Zhaoxing, a Chinese Foreign Ministry spokesman, quoted Mr Shevardnadze as saying the process of settling the Kampuchean question was "speeding up". Qian Qichen agreed.

Asked by reporters if Kampuchea has ceased to be an obstacle to better Sino-Soviet relations, Li said: "Both China and the Soviet Union maintain that Vietnam should pull out all its troops from Kampuchea as early as possible."

Joint contracts signal thaw in Korean hostility

By Maggie Ford in Seoul

A BREAKTHROUGH in relations between North and South Korea appears to have been achieved with the signing of agreements on three development projects in the North, and a decision on the joint pursuit of contracts in the Soviet Union.

Mr Chung Ju Yung, founder of the South Korean Hyundai group, returned yesterday from Pyongyang. His visit was the first independent trip by a South Korean since the war between the two sides in the 1950s.

Mr Chung announced he had signed an agreement with Mr Cho Soo Gil, North Korean *head of the country's Asia* Trade Promotion Committee, which includes joint developments of a tourist resort at *Diamond Mountain, near the* border, investmwnt in a ship repair yard and a rolling stock plant in Wonsan on the east coast.

A government spokesman said Seoul took a favourable view of the projects because contributed to a possible reunificaton of the country.

President Roh Tae Woo has pursued new links with the North and other Eastern bloc countries since he took office. On Wednesday he restored full diplomatic relations with Hungary and more talks with the North are scheduled next week.

Uneasy peace reigns between Lebanese militiamen

UNDER a sign reading "The Islamic Resistance Welcomes You," Red Cross teams moved into the shattered southern village of Jubah yesterday to start bringing out the wounded from Lebanon's Shia wars, Reuters reports.

On the fourth day of a peace pact between the feuding militiamen; they took out nine injured members of the pro-Iranian Hizbollah and the body of a tenth.

Leaders of Hizbollah and the Syrian-backed Amal signed an agreement in Damascus on Monday to end a year of strife that has killed hundreds. Iran *and Syria, who brought the* two sides together, have guaranteed the pact will be carried out.

All but 100 of Jubah's 5,000 residents fled during the latest battles, which broke out in Beirut and Lebanon last month.

India in village telephone venture

By Hugo Dixon in London

INDIA has formed a joint venture with the UK's biggest telecommunications company to make and install pay telephones in a large proportion of the country's 575,000 villages.

The company, GPT, believes that the move could help ease the subcontinent's chronic shortage of telephones. Although India has insufficient switching capacity to provide individual telephone lines to most of its population, installing payphones could put a telephone within range of many more people.

GPT, which claims to be the world's leading payphone supplier, has linked up with Usha RKKR of India. The British company will have 40 per cent in the joint venture, which it believes is will be the first to manufacture modern payphones in India.

The new venture will start off by assembling kits, manufactured in the UK.

Technology will be progressively transferred to India with the eventual aim that most of the components will be bought locally.

GPT, in which GEC and Plessey, the UK electronics companies, each have a 50 per cent stake, expects 5,000-7,000 payphones to be made in the first year, with the number increasing to 15,000-20,000 next year. GPT's modern payphones, at present, cost about £700 ($1230) in the UK.

The company intends to supply payphones to a large proportion of India's 575,000 villages.

It sees the joint venture as providing it with a foothold in the country's telecommunications market which is expected to expand rapidly over the next decade.

Palestinians reject Shamir troop offer

PALESTINIAN leaders say they will accept nothing less than statehood in the occupied lands and have rejected an Israeli offer to withdraw some soldiers if Palestinians agree to limited autonomy as an interim solution, AP reports from Jerusalem.

Mr Yitzhak Shamir, Israel's prime minister made the offer on Wednesday in his most conciliatory remark yet on Israel's future role

"Compared to his old stand, he has moved a step, but it is a far step from meeting the demands or conditions of the Palestinian people. We can't accept it," said Mr Faisal al-Husseini, considered the top pro-PLO leader in the occupied lands.

"Israel has to understand that we want a comprehensive peace settlement . . . that will ultimately achieve our sovereignty over the West Bank and Gaza Strip," said Mr Elias Freij, mayor of Bethlehem, also responding to Mr Shamir.

Southern African states praised by World Bank

A SENIOR World Bank official praised southern African *nations yesterday for a switch* in policies that brought them real economic growth in 1988 for the first time in more than a decade, Reuter reports from Luanda.

Mr Moeen Qureshi, senior vice-president for operations, said the nine countries in the region achieved 4.5 per cent growth last year, outstripping population growth of 3.3. per cent.

Mr Qureshi was addressing the annual meeting of The Southern African Development Co-ordination Conference (SADCC).

He singled out Tanzania, which is following a recovery programme backed by the World Bank and the International Monetary Fund (IMF), for achieving a positive growth in per capita income.

Mr Qureshi attributed the improved results not just to better weather but also to policy reforms including better price incentives for farmers and more realistic exchange rates.

"There is a new breeze blowing through Africa," he told a news conference, citing some 30 African countries now following *adjustment programmes*. He said these countries had recorded average growth rates of around 4 per cent a year.

Among the nine SADCC countries, Tanzania, Malawi and Mozambique are following IMF-World Bank programmes while Zambia, the region's biggest debtor, is badly in arrears to both institutions and is following its own programme.

"It will take several years before Africa gets out of its current difficulties," Mr Qureshi said, ticking off a list of measures governments would have to follow in order to succeed.

He said they would have to continue their adjustment programmes, reverse a decline in public and private investment, cooperate with one another and cut population growth.

AMERICAN NEWS

Greenspan presses for action on budget deficit

By Peter Riddell, US Editor, in Washington

MR ALAN Greenspan, chairman of the US Federal Reserve, yesterday stepped up pressure on Congress to agree to a multi-year package for the reduction and elimination of the federal budget deficit.

In wide-ranging evidence to the policy-making House Ways and Means Committee, Mr Greenspan warned: "Allowing deficits to persist courts a dangerous corrosion of our economy and risks potentially significant reductions over time in our standard of living." He said that if the planned reduction in the deficit was not met, interest rates would not come down by anything like the amount forecast by the Administration.

His comments are significant not only for the strength of the language but also for the timing – on the eve of the meeting of the Group of Seven finance ministers in Washington and before the revised budget from President George Bush next Thursday.

Mr Greenspan's testimony came as the Congressional Budget Office estimated that the deficit was likely substantially to exceed the statutory Gramm-Rudman ceiling even if all the spending reductions in the outgoing budget from former President Ronald Reagan were enacted.

The CBO estimate is not only $20bn (£11.4bn) higher than the $100bn Gramm-Rudman target but compares with the Reagan Administration's estimate of $92.5bn in fiscal 1990, if its budget proposals were put into force.

The difference partly reflects the Reagan Administration's more optimistic assumptions, particularly on interest rates, which Mr Bush's advisers have cautiously endorsed.

The CBO estimate underlines the problems which the Bush Administration and Congress will face in reducing the deficit to the Gramm-Rudman target and the possibility that more savings than those Mr Bush is to propose next week will be needed.

In particular, the CBO has estimated that the deficit would be $146bn in fiscal 1990 if there was no change in spending or tax policies, compared with the Administration figure of $127bn on those assumptions. Moreover, the CBO estimates that the deficit will be $169bn in the current year and will decline only gradually to $130bn in 1994 unless there are policy changes.

Mr Greenspan stressed the importance of reducing the deficit for the health of the economy and long-term US investment.

He said differences between the Fed and the Administration over the short-term growth outlook were within the forecasting margin of error, though he acknowledged a longer-term difference over the rate of productivity growth in the US. There was less than a 50-50 probability of achieving the 2 per cent annual productivity rise the Administration expected.

Consequently, the Fed's view of the sustainable long-term growth of the US economy was about half a point less than the Administration's.

Mr Greenspan had doubts about the Administration's projection of a sharp fall in short-term interest rates this year but believed such a projection was credible for next year if the deficit was reduced.

A new president looks forward to a new era

CARLOS Andrés Pérez, adorned with the presidential sash, described it as a great Latin American moment. For Venezuela's 19m people, for the thousands of visitors and hundreds of dignitaries watching the new president make his inaugural speech, it probably felt like something a little less, writes Caroline Southey in Caracas.

But there was no doubt that the president, the only Venezuelan re-elected in the country's 30-year-old democracy, had pulled off a political coup.

US Vice-President Dan Quayle, erect, passive, plugged into the English interpretation and flanked by the Vice-President of the German Democratic Republic, sat a mere five feet from Cuba's Fidel Castro.

Mr Castro himself kept Spanish President Felipe González sitting next to him in conversation during the inaugural proceedings. Mr Pérez had brought together for the first time more than 20 presidents and vice-presidents who span the political spectrum and wage wars of differing intensities, both political and economic, against one another.

The dignitaries have filtered into Caracas in the past few days through the tightest security ever imposed on the city. The city centre, saturated by up to 15,000 troops, ground to a halt yesterday morning as the invited guests made their way to the modern Teresa Carreño Theatre.

Several hundred foreign security men jostled with 600 journalists packing the Caracas Hilton, creating scenes reminiscent of a cattle market as prize bulls come under the hammer.

The appearance of just one of the leaders – Nicaragua's Daniel Ortega, Portugal's Mario Soares, or Peru's Alan Garcia – led frantic bodyguards to send off ecstatic supporters and story-hungry journalists. Mr Castro alone managed to retain a distance before the inauguration, flying in at 4am.

Whether Mr Pérez's statesmanlike approach will bear fruit, beyond the meeting yesterday of famous people in Caracas, remains to be seen. Economic realities, both nationally and internationally, could hijack his efforts to be a president with a reputation as a world leader.

The two main themes running through his speech – a changing international order and Latin America's foreign debt burden – are clearly the backdrop to his game plan.

"He was not hoping for a brave new world, he said, but with a joint, well-balanced strategy towards regional conflicts and the debt problem, the 1990s could herald a new era.

If Afghan, Namibian and Cambodian conflicts could be solved, why not those in Latin America, he asked? His speech, although strong on rhetoric rather than substance, appeared to satisfy most of his famous guests.

"A good speech," said Mr Quayle. But Mr Pérez may need more than the US Vice-President's praise.

Pérez warns of hard times ahead for Venezuela

MR CARLOS Andrés Pérez was yesterday sworn in as President of Venezuela for a five-year term, warning that his country was facing difficult times, Joseph Mann writes from Caracas.

The 66-year-old politician's sober inauguration speech, stressing the need for widespread economic and government reform in the republic, contrasted sharply with the grand promises and high expectations raised when Mr Pérez began his first term as president 10 years ago. At that time, Venezuela was earning seemingly unlimited revenues from petroleum exports. Today, still highly dependent on oil, the country is burdened with a big foreign debt and serious economic problems.

The new president delivered his inaugural speech before an audience of more than 2,400, including political figures from all over the world. The message focused on the need for reform at home and more co-operation among nations in the hemisphere and members of the Organisation of Petroleum Exporting Countries.

While avoiding specific detail about his new economic programme, Mr Pérez said his Government would establish a single, floating exchange rate for the bolivar, liberalise interest rates and prices, provide some wage increases for workers, reduce the government fiscal deficit, and increase official spending for direct subsidies and social programmes for low income groups.

The inauguration ceremony took place in the capital city's largest performing arts centre, amid heavy security. The ceremony was moved from the National Congress building for the first time to accommodate the large number of guests.

Mr Pérez also named the 24 members of his presidential cabinet and a new president of the Central Bank. Mr Pedro Tinoco Jr, a prominent investor and president of a big commercial bank, was named president of the Central Bank of Venezuela, and Mr Edgard Leal, president of a subsidiary of the national oil company, was appointed chief debt negotiator for Venezuela.

KEY POSTS IN THE NEW VENEZUELAN CABINET	
Interior	Alejandro Izaguirre
Foreign Affairs	Enrique Tejera
Finance	Eglee Iturbe de Blanco
Industrial Development	Moises Naim
Agriculture	Fanny Bello
Labour and Social Development	Marisela Padron
Justice	Luis Beltran Guerra
Transportation and Communications	Gustavo Rada
Energy and Mines	Celestino Armas
Presidential Secretary	Reinaldo Figueredo
Defence	Gen Italo del Valle Alliegro

Government control of ailing thrifts urged

THE General Accounting Office, the investigative arm of the US Congress, has recommended that the Government seize control of about 350 failing savings and loans institutions, according to press reports, AP-DJ reports.

The GAO also says that S&Ls under government control should be banned from continuing the practices which it believes got them into trouble in the first place, the Los Angeles Times said yesterday.

These practices include offering savers too high interest rates and making risky real estate investments, according to prepared testimony which Mr Charles Bowsher, Comptroller General, was to offer yesterday to the Senate Banking Committee in Washington.

The Federal Home Loan Bank Board, which regulates the S&L industry, arranged the closure or sale of more than 200 failing S&Ls last year.

US nuclear weapons lab closed after drugs find

By Louise Kehoe in San Francisco

THE Department of Energy has indefinitely closed one of the the leading nuclear weapons research facilities in the US following the discovery of a small quantity of marijuana in the plutonium laboratory at Lawrence Livermore National Laboratory in Berkeley, California.

The illegal drugs were found on Monday in the "Radioactive Materials Area" where experiments are conducted using plutonium, the radioactive material used in nuclear warheads. Lawrence Livermore is one of three facilities in the US where work on the design and development of nuclear weapons is conducted.

The facility was closed on Tuesday, pending the outcome of an investigation that is being conducted by the Department of Energy and the Lawrence Livermore security staff.

The laboratory is supposed to be one of the most secure in the country. Entrance to the plutonium facility is controlled by five levels of security checks. In addition, a "companion system" whereby authorised individuals are required to be accompanied at all times is operated in the area where radioactive materials are used.

A spokesman for Lawrence Livermore said that there is no evidence that anyone was under the influence of marijuana while in the nuclear laboratory.

"The fact that the laboratory has been closed, at considerable expence, should demonstrate our level of concern for safety," he said.

The incident raises serious questions about security at the laboratory, which has been criticised for some time. An undercover drug inquiry in 1987 resulted in arrests and resignations at the Laboratory.

Mexican crackdown begins

By Richard Johns in Mexico City

A MEXICAN industrialist and three bank executives have been formally charged here with defrauding Banco BCH, a commercial bank, of a total of 7.94bn pesos (nearly $3.5m [£2m] at the present exchange rate) and $4.5m in hard currency.

Accusations formally made by the Ministry of Finance on the basis of investigations by the Attorney-General's office constitute the first move made by President Carlos Salinas de Gortari's Administration in its promised campaign to crack down on fraud, corruption and tax evasion.

In addition, proceedings against 18 businessmen for tax evasion have been announced.

Politically, action against malpractices in the private sector is regarded by the new Government as an essential corollary to its plans to smash the power of union barons, highlighted by the arrest last month of Mr Joaquin Hernandez Galicia, leader of the petroleum workers syndicate, and charges laid against him.

Brazil supermarket chief charged

By Ivo Dawnay in São Paulo

BRAZILIAN federal police have charged one of the country's best-known businessmen under the criminal law with breaking new laws freezing prices.

Mr Abinio Diniz, president of the 550-outlet supermarket group, Pão de Acucar, was indicted on Wednesday for withholding soya oil from the market. It is clearly intended as a warning to retailers, many of whom are said by shoppers to be ignoring the new freeze.

Also charged was Mr Michel Pinot, head of the French-owned Carrefour group, for breach of price ceilings.

The police actions have caused a furore in São Paulo's business establishment, of which Mr Diniz is a prominent member. He has described the charges as "absurd", claiming that his company has strongly supported the new Summer Plan package of anti-inflationary measures.

Colombia starts to seek support for loan package

By Norma Cohen

COLOMBIA and a group of its commercial bank creditors have embarked on a six-nation campaign aimed at obtaining enough commitments from banks to complete a $1.7bn (£970m) two-part loan package without which it may have to reschedule its debts.

At a press briefing in London this week, members of Colombia's consultative committee of banks argued that the country's economic performance and track record on interest and principal repayments made it deserving of new money commitments. Colombia's banks are being asked to provide new money equal to 25 per cent of their maturities falling due between 1989 and 1990 as part of the package.

"It's a good house in a bad neighbourhood," said Mr Charles Meissner, vice-president at Chemical Bank and head of the bank consultative committee, summing up the country's plight. Colombia is the only big Latin American borrower not to have rescheduled its debts and has maintained annual GDP growth for the past few years of 4 to 5 per cent. It has slightly cut its external debt as a ratio of GDP to 42 per cent from 45 five years ago and has achieved growth in non-traditional exports of about 20 per cent in the past three years.

While Colombia's external commercial bank debts, at about $6bn, are small compared with those of its neighbours, its inability to raise enough new money could call into question the entire debt strategy outlined under the Baker Plan at the heart of all rescheduling agreements.

WORLD TRADE NEWS

Ford denies doubt over Australian sports car

By Chris Sherwell in Sydney

FORD AUSTRALIA yesterday played down suggestions that the future of its ambitious sports car export project was in doubt.

Mr Allan Gilmour, head of international operations at the US parent in Detroit, had reportedly said there was a possibility the project would be halted.

But in Melbourne yesterday Ford Australia said: "As far as we're concerned, the project is proceeding. Any new programme is always under review. But we are continuing development, and are already building pre-production units."

The two-seater, front-wheel drive convertible, to be called the Capri, is based on Ford's successful small car known as the Laser, which is itself the same as the Japanese Mazda 323.

No figure has been put on the cost of the project, which is the first of its type in Australia. Pitched at the US market, it is expected to involve production of about 30,000 cars a year, with another 5,000 or so for the local market.

One difficulty is that the car will have to compete with a similar, rear-wheel drive sports car, known as the MX-5, being produced for export by Mazda in Japan. This is regarded as odd because of Ford's close relationship with Mazda.

Another difficulty has been an unexpected provision in US legislation requiring such convertibles to include an "airbag" passive restraint. The re-engineering this has entailed has meant delays.

The biggest problem, however, has been the relentless rise of the Australian dollar against the US currency, which has exceeded all forecasters' predictions. Although it means Japanese components can be bought more cheaply, it has eroded prospective margins, making the project less profitable.

Mr Gilmour is due to visit Australia next month, and although the trip is said to be routine, his comments have been interpreted locally as meaning the project is under threat.

Israeli request to attend scuppers Cairo trade fair

By Tony Walker in Cairo

EGYPT has abruptly cancelled its annual trade fair because of concern about political and diplomatic fall-out over Israel's request to participate, according to Western trade officials in Cairo.

Israel had asked to be allowed to exhibit, but had not received approval when the decision to abort the fair "for technical reasons" was announced. Western officials said that Egypt found itself in a dilemma over Israel's application. If it agreed to allow the Israelis to participate, it risked antagonising Arab states. On the other hand if Israel was refused it might further complicate relations at a sensitive moment.

Cairo and Tel Aviv are locked in difficult negotiations over the future of Taba, a tiny speck of land in Sinai. An international panel of arbitrators last year upheld most of Egypt's claims to the territory, but wrangling continues over the terms for Israel's withdrawal.

Israel last participated in the Cairo trade fair in 1987. Its application to participate last year was turned down at the last moment, according to an Israeli official.

Members of the international business community in Egypt were incredulous when they learned of the decision to abort the trade fair, due to be held for two weeks from March 11. Many companies had made extensive preparations and some items had already been shipped to Egypt.

The Egyptian Government announced it would not be responsible for losses sustained in preparing stands and exhibits. Companies are expected to be refunded money they had already paid to rent space.

The Cairo trade fair is the biggest in Africa, attended by 750,000 people last year. The number of exhibitors has been down in the past few years, however, because of the collapse of oil prices and a continuing recession in Egypt.

Comecon joint ventures fail to make impact on West

By Peter Montagnon, World Trade Editor

THE current Comecon fashion for joint ventures as a means of promoting East-West trade has failed to make a significant impact on Western companies doing business with Eastern Europe and the Soviet Union, according to a survey by HR&H Consensus, the UK marketing research concern.

HR&H said its survey of 688 companies in Europe and the US revealed that three quarters of them traded with the East bloc but only 11 per cent of these were involved in joint ventures.

Almost half the companies concerned continued to rely on personal visits by their staff to East bloc countries as their principal means of marketing, and 80 per cent of them said they were happy with their trading arrangements, while only 15 per cent were considering new arrangements including joint ventures.

Though the survey showed increasing interest in East-West trade as a result of economic restructuring in the Soviet bloc, many companies questioned remained ambivalent about the prospects.

One in five said the traditional complaints of slow bureaucracy, excessive paperwork and administrative problems were still having an adverse effect on their attitudes and almost a quarter saw slow decision making, deliveries and payments as a fundamental problem area.

Only a quarter of the companies questioned said economic reforms had produced a change in attitudes of their East bloc trading partners and half had perceived no change.

Analysis of trade between countries of the Eastern bloc and the Western industrial nations for the 1990s. HR&H Consensus Research International, 50 Grosvenor Gardens, London SW1W 0EB. £150.

Varta wins Australian battery contract

VARTA Batteries of West Germany and Pacific Dunlop of Australia have won a A$60m contract to supply and maintain the supersized batteries which will power the Australian Navy's new fleet of submarines, writes Chris Sherwell in Sydney.

The submarines, which may increase in number from six to eight, are now under construction by a consortium led by Kockums of Sweden, and are due for delivery between 1993 and 1998.

The contract is said to be Australia's largest-ever for industrial batteries, and was won by the two companies' 50-50 joint venture. Pacific Dunlop already supplies batteries for the Navy's existing Oberon class submarines.

Swiss tourism

Swiss tourist volumes remained at about 1987 levels last year,with the total number of overnight occupancies rising by 0.2per cent to some 74.8m, writes John Wicks in Zurich.

The government's statistics bureausays this is satisfactory in view of the lack of snow in early 1988, the long-term effects of the rainy 1987summer and unfavourable exchange rates.Meanwhile exports by the swiss watch industry last year reached an all-timerecord of more than Sfr 5.05bn. This was 16.4 percent above the previous high of Sfr 4.34bn for the previous year.In volume terms, foreign sales increased by only 3.8 per cent.

Tanker record

The world tanker industry had its best year since the early 1970s last year, Intertanko, the International Association of Independent Tanker Owners, said yesterday, writes Kevin Brown, Transport Correspondent.

Intertanko said the number of cargoes lifted in December was 20 per cent higher than in the corresponding period of 1987. Demand increased by about 8 per cent over the year

Mr Basil Papachristidis, chairman, said trading conditions were expected to improve further in 1989, although the first quarter was likely to be difficult.

Arms trade offset deals reach $20bn

By Nancy Dunne in Washington

OFFSET deals worth $20bn have been concluded on arms contracts valued at $35bn over the last eight years, according to a new US government report.

The report, prepared for the Office of Management and the Budget, seeks to establish the dimension of offsets so that the President can recommend a US policy on offsets for legislation this year.

Some forms of offsets – co-production, technology transfers, countertrade – have become basic components of achieving defence sales in what has become a buyer's market. The Reagan Administration feared that offsets increased the cost of Nato procurement and introduced rigidities and inefficiencies in the defence trade.

The report notes that offsets also provide advantages. It says: "Co-production and licensed production directly contribute to allied preparedness by enhancing the ability of friendly nations to contribute to the overall productive capacity of the alliance."

Offsets permit some sales to take place that otherwise could not. Occasionally, the deals include base or access rights.

In the eight years covered by the survey, 30 countries or groups of countries were involved in offset deals. Canada, Israel, Australia and the European Participating Group – a trading consortium of Belgium, Denmark, Norway and the Netherlands – accounted for about half the $35bn in agreements.

Israel, which had the largest value of contracts, had a low offset percentage, ranking only sixth in terms of the value of offset agreements. Sweden, which negotiated offsets worth 173 per cent of its £371m in purchases, received the highest value on its offset agreements.

Sweden, however, allowed 21 years for purchasers to fulfil offset requirements. South Korea allowed only six years.

Manufactured products accounted for virtually all of the goods, with about 50 per cent of the billings directed for aircraft; 20 per cent for radar and related navigational equipment; and 17 per cent for aircraft engines and engine parts.

The report detailed several recent offset deals. One, which received heavy criticism in the US – was the Boeing sale of AWACS to Britain and France, which allowed offsets of 130 per cent.

ARMS SALES AND OFFSET DEALS 1980-87 ($m)

Country	Arms sales	Offset deals
Australia	3,393.5	1,271.4
Belgium	399.1	336.3
Canada	3,874.1	3,024.2
Egypt	383.0	87.8
EPG(1)	5,219.0	2,209.9
West Germany	1,328.8	792.3
Greece	841.1	330.9
Israel	6,083.7	1,384.2
Nato Group	667.4	320.4
Netherlands	820.7	512.4
South Korea	1,055.8	488.0
Singapore	511.5	153.1
Spain	2,151.3	2,851.1
Sweden	381.7	663.3
Switzerland	370.9	248.5
Turkey	2,701.7	1,583.1
United Kingdom	1,800.8	1,896.5
All Other(2)	2,842.8	1,775.7
Total	34,816.9	19,929.1

(1)European Participating Group, consists of Belgium, Denmark, Norway and Netherlands. (2)consists of Brazil, Denmark, France, Indonesia, Italy, Luxembourg, New Zealand, Norway, China, Philippines, Portugal, Saudi Arabia and Yugoslavia.

US Saudi experience is lesson for British

By Finn Barre in Riyadh

BRITISH COMPANIES contemplating investing in Saudi Arabia under the al-Yamamah offset investment programme would do well to examine the experiences of their US predecessors. Saudi officials and British companies are discussing methods for offsetting part of Britain's £15bn two-part sale of Tornado aircraft and other military equipment with investments in Saudi Arabia. The British offset programme is modelled on the earlier US Peace Shield offset investment programme.

The most significant difference is that the British offset programme was launched after the deal was concluded and is not legally binding. The American programme was made a precondition to the award of the contract. That deal offset part of the cost of the ground control and co-ordination system for the kingdom's five new Awacs surveillance aircraft. When three US consortia competed for the $1.3bn ground control contract, they were required to offset 35 per cent of the high-technology portion of the contract with investments in the kingdom.

By comparison, the British and Saudis did not talk about offset agreements until after the Tornado deal was signed. To date, no agreement has been reached guaranteeing how much the British will invest against the Tornado deal. But the UK is expected to invest the equivalent of 25 per cent of the British content of the sales, amounting to about £1bn.

The winning US consortium, led by Boeing and Westinghouse, formed the Boeing Industrial Technology Group (BITG) to implement the offset recommendations. The group, plus General Electric, which won the radar contract worth several hundred million dollars, agreed to build several ventures. Furthest along is the Saudi Propulsion Center (SPC) which is a jet engine overhaul centre. Pratt and Whitney and General Electric of the US are expected to participate with Saudia, the national airline, National Industrialization Company (NIC) and Gulf Investment Corporation (GIC) in the project. If Rolls Royce enters the project, it means all the companies which supply jet engines to Saudia, will be involved. Rolls Royce also supplies engines to many other regional airlines, which planners hope will attract more business.

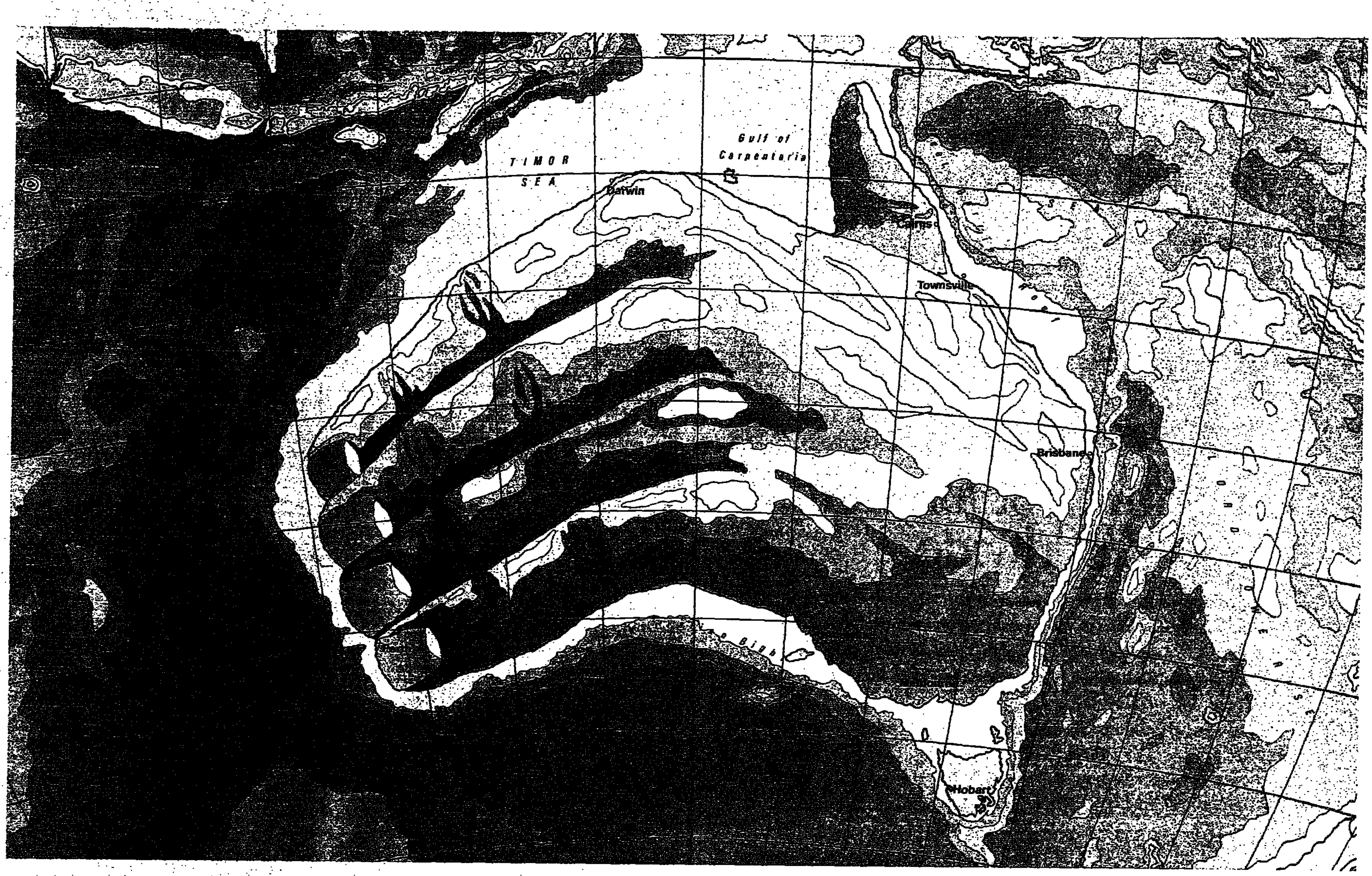
Other Peace Shield offset investment ventures include an airframe maintenance centre, an avionics electronics maintenance centre, and an aircraft hydraulics and sub systems maintenance centre. These will be built near or on Riyadh's King Khaled international airport.

Although the Americans do not admit it publicly, their programme is running behind schedule. Problems that beset their investments included government red tape and a lack of good market information. The Saudis are working to address these problems. For instance, the high-powered offset investment committee has managed to make its mark on civil service apathy. Nevertheless, getting decisions made by the committee can be time consuming. Assembling the American-Saudi offset joint venture companies took longer than expected. Many feasibility and market studies have been completed, yet companies are still unsure of the precise size of the market and the nature of Saudi government commitment to buying certain services or products.

Some estimates were over-optimistic. Because of this, it was difficult to select ventures that would prove financially viable. The Americans were concerned that they may have exhausted viable high-tech joint venture opportunities. This is a problem American sources say faces the British. If they had difficulties coming up with projects while investing $1.3bn, how will the British and Saudis fare when investing £2bn? It will not be easy.

One possibility is that the British could offer to co-produce part of the 90-helicopter deal with Westland, and possibly build a petrochemical plant. These would entail large investments, and would be commercially viable.

"Most programmes add an offset clause to a contract which says a certain percentage of a purchase must be made locally. We call that force-feeding," a source in the US programme said. "After the purchase is over, you have an assembly plant with nothing to do. We had to select projects that would have lives of their own. This is the problem that faces the British."



NO OTHER AIRLINE KNOWS AUSTRALIA SO WELL.

But then, no other airline flies to as much of it as we do. Or flies there as often. (There are 10 departures every week, to 9 different cities.)

When you come from a country the size of a continent, you get to learn a thing or two about long distance travel. One of the things being that the best way to make a long journey easier is to make it shorter.

So we've chosen the fastest routes, with the fewest stops. And once on board, you'll find that we do that little bit more to help the time fly.

Perhaps that's why more people choose to travel to Australia with Qantas than with any other airline. Or perhaps it's because, to us, Australia isn't just another destination. It's home. QANTAS

AMERICAN NEWS

Harsh realities of life on the border

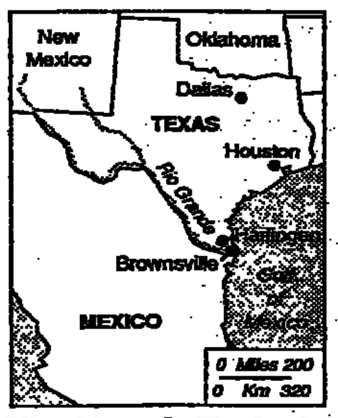
Cynthia Williams on a refugee crisis in the Rio Grande Valley

SERGIO Maria Gomez, a shy and reticent refugee from El Salvador, still wet from crossing the Rio Grande River, shivers in the morning air. He is 14 years old, but his face is scarred and he looks much older.

Sergio fled El Salvador after both his parents were killed by soldiers and he was beaten and forced to join the Salvadorean army. He is one of thousands of refugees that pour into the impoverished area known as the Rio Grande Valley at the tip of southern Texas.

It is the main crossing point into the US for Central Americans where an estimated 60,000 refugees immigrate annually.

Sergio's journey took three weeks. He travelled by bus and cargo train, then hitchhiked into Mexico when his money ran out. Now penniless, he hopes to find an uncle "somewhere in the US." He has no idea where to look.



Miami-bound Humberto Matute (right) from Honduras has filed for asylum at Harlingen's legalisation centre. He may have to wait more than three months for the outcome

The Rio Grande Valley became the scene of chaos at the end of last year when a new refugee policy designed to stem the heavy flow of illegal immigrants cooped up thousands of immigrants who had expected to go on to other cities in the US.

Asylum procedures in the valley were thrust under national scrutiny in December, when record numbers of refugees fleeing political violence and the devastation caused by hurricanes poured across the Rio Grande from the Mexican border near Brownsville and inundated US immigration offices in neighbouring Harlingen, 26 miles from the border, with claims for asylum. Officials at the Immigration and Naturalisation Service (INS), already struggling with a backlog of cases, were overwhelmed.

The INS undertook an urgent review of its immigration policy and responded in late December by confining local asylum seekers to their place of arrival – the Rio Grande Valley – until they were either approved for asylum or denied and deported.

Thousands of homeless refugees, unable to leave the area, sought accommodation in churches, makeshift camps and shelters on the outskirts of Brownsville.

Soon after the INS travel restrictions were implemented, a group of immigration attorneys in Brownsville challenged the restrictions in court. They won a temporary restraining order forcing the INS to let refugees leave the valley and transfer their asylum cases to cities of their choice. On Tuesday this week a Brownsville court extended the order for 20 days, but the INS will be seeking to have the order reversed.

Senator Lloyd Bentsen of Texas, in a recent letter to Attorney General Richard Thornburgh in Washington, said: "It is clear that the current INS policy will turn South Texas into a massive detention camp," urging immigration law reform and the provision of federal aid for "one of the poorest areas in the nation."

With the travel restriction lifted, albeit temporarily, many refugees left for US cities including Miami, Houston, Los Angeles, New York and Washington DC. The exodus eased the bottleneck slightly but many stayed and the flow of new refugees continues.

In Brownsville, the cheap motels are jammed with refugees sleeping 15 to a room. By day, they wander the streets or gather outside fast food restaurants. Local business owners, struggling for survival in an area of high unemployment and low income, see the problem as a "disaster" created by the Reagan Administration's foreign policy.

The INS is processing around 3,000 asylum cases a week and the figure is rising. On Monday, a record 687 Central Americans sought asylum, with 552 cases on Tuesday.

Most of the refugees are headed for Miami, where more than 1,600 Nicaraguans have arrived in the past three weeks and where local resources are stretched to the limit.

Mrs Rita Suarez, wife of Miami's Mayor Xavier Suarez, said this week she had telegraphed Mrs Barbara Bush, the wife of President George Bush, to ask for help.

Hundreds of refugees who endured numbing hardship to get into the country, and then out of the Rio Grande Valley, landed in the "Hispanic Capital" of Miami in the middle of race riots exacerbated by the tense refugee situation there.

The INS detention facility in Harlingen, where illegal immigrants are held after they apply for political asylum, was built to for about 400 people, but up to 800 are packed in every night.

"We have a great deal of sympathy for these people, but we don't feel it is our responsibility to care for illegal aliens," says INS spokeswoman Ms Virginia Kice in Harlingen.

Local officials are washing their hands of the refugee problem, according to Mr Jonathan Moore, an attorney working with the non-profit-making *Proyecto Libertad* (Freedom Project), which charges refugees what they can afford.

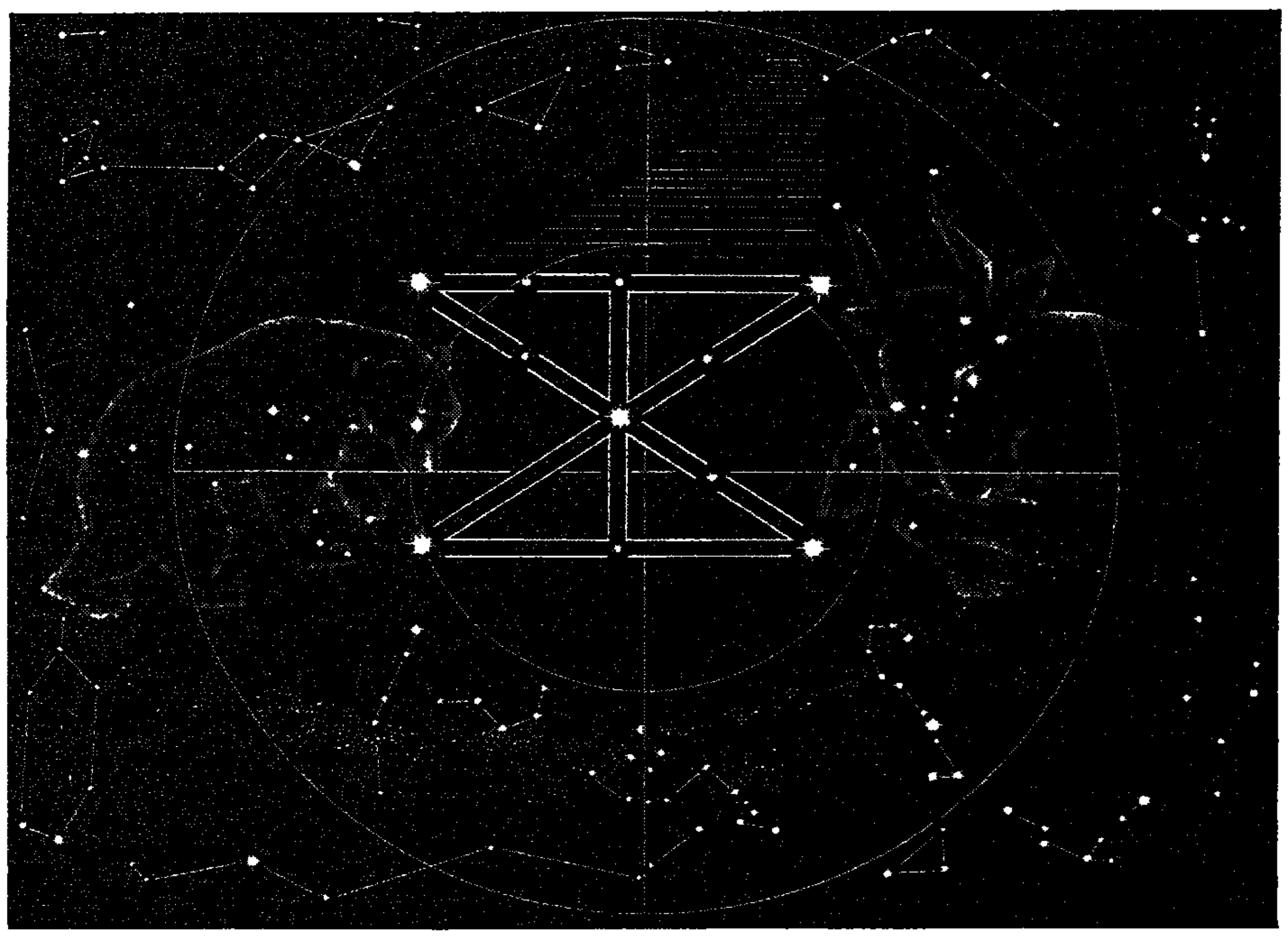
The refugees receive no money from any government authorities and have to rely on charity. The burden of providing basics such as shelter falls mainly on the catholic church, and on the Red Cross.

Attorneys working with the refugees say an "unacceptably small" number are granted asylum. In fiscal 1988, the INS approved 5,531 asylum applications and denied 8,982.

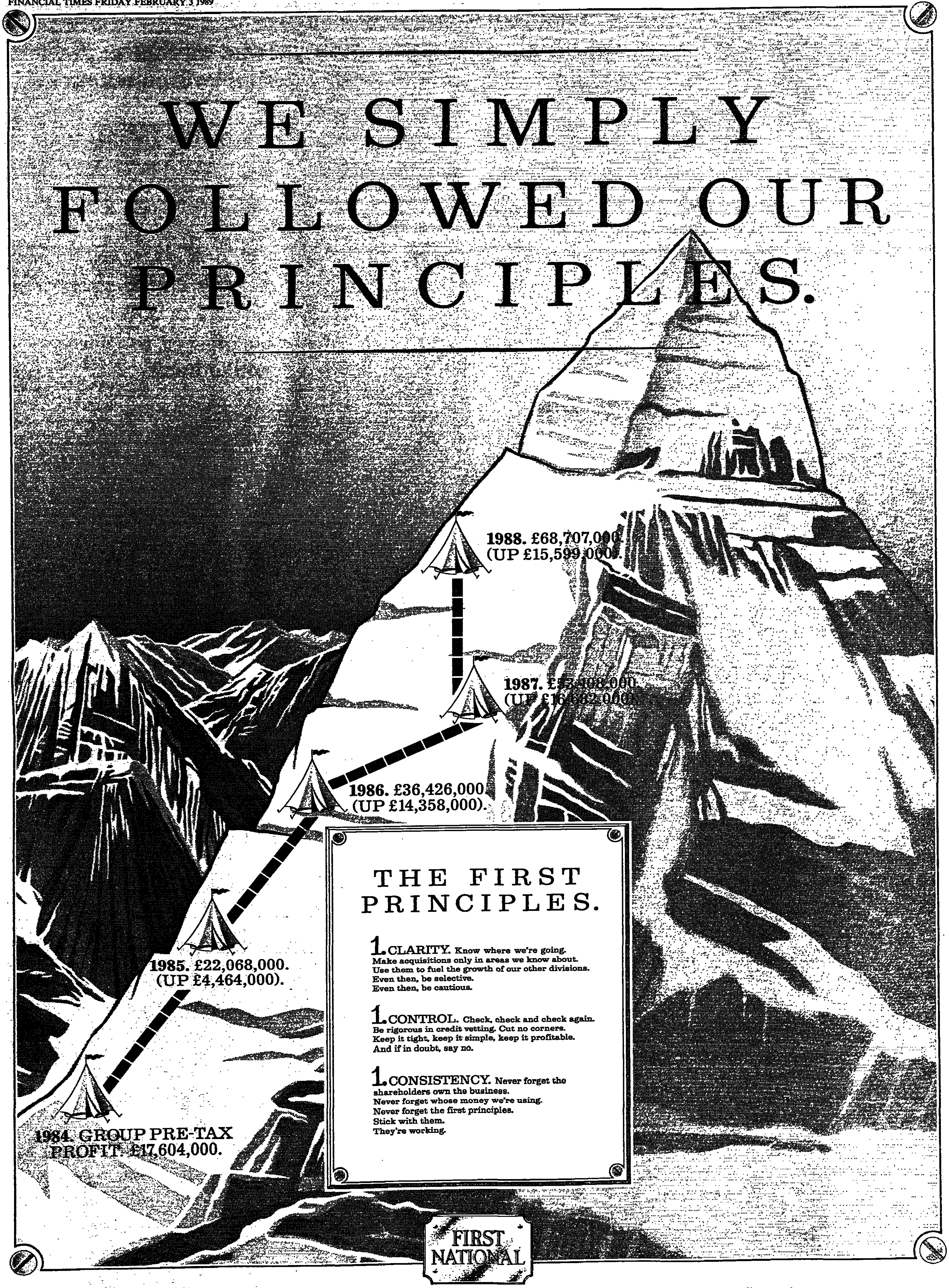
"Given what is going on in Central America, it is unconscionable to deny asylum to 97 per cent of all refugees from El Salvador and to 67 per cent of Nicaraguans," says local attorney Linda Yanez.

By the time the INS legalisation centre opens for business on a drizzly Monday morning, hundreds of refugees are queued up outside, clutching forms bearing their fingerprints and waiting to apply for asylum. The line snakes around the building and into the car park, where applicants seek help to fill out English-only application forms.

They have made their way to Harlingen packed in vans, on the back of pickup trucks and on foot, many empty-handed and some bearing their few posessions in plastic bags. Most have got through with the "help" of gangs charging $500 a time. They are dumped at the border, often after being robbed. More arrive daily, hoping to fulfil dreams of a new life.



Manhattan, view from New Jersey



For a copy of the 1988 Annual Report and Accounts write to The Company Secretary,
First National Finance Corporation p.l.c., P.O. Box 505, St Alphage House, Fore Street, LONDON. EC2P 2HJ

UK NEWS

Call for increased airport capacity in London area

By Lynton McLain

A NEW RUNWAY in the south of England and new operators to compete with BAA, owner of Heathrow (London) and other airports, are recommended in a report by the Civil Aviation Authority yesterday.

The aim is to cope with a forecast doubling of passengers in the London area to 123m passengers by 2005. Fifty eight million passengers used the London airports in 1987. Aircraft traffic is forecast to rise from 535,000 movements two years ago to 852,000 by 2005.

Stansted, Essex, north of London, is the likely choice for the new runway, but the authority makes no recommendation for a site. It is possible other airports such as Southampton and Bournemouth, on the south coast of England, could expand to handle some growth, the CAA says.

Rapidly rising demand for air travel would price some people out of airline travel in the south east. Others would be forced by capacity constraints in the area to travel to Birmingham (in the West Midlands) for a flight, the CAA said.

"Birmingham would not be too inconvenient for people living in north and west London, especially for leisure travel", the authority said.

Mr Ray Colegate, the CAA director of economic development, said yesterday: "We would expect the market place to move in that direction without compulsion. Even with a new runway, there would still be a premium on services at Heathrow and Gatwick airports", he said.

"Competition between airlines at Heathrow and Gatwick is likely to diminish as demand exceeds supply and to the extent that passengers are willing to pay a premium to use those airports", the CAA said.

The number of people changing aircraft in London would fall as capacity limits were reached. Regional and near continental airports would benefit at the expense of London. They would provide more direct long haul flights.

Planning for a new runway would have to start at once because of the need to find airspace for the extra aircraft it would handle. No decision on the runway was likely until the Government had studied the report and reaction to its recommendations in the summer, it said.

Stansted handled 1m passengers last year on its existing single runway, but it could handle up to 30m before a second runway was needed, the CAA said. A new terminal was being built to handle 8m passengers at the airport and this could be expanded to 15m before a second terminal would be needed.

The authority said the Government should consider encouraging a "new and competitive airport owner to provide future airport capacity in the UK".

Airport operations in the UK are dominated by BAA, the former British Airports Authority, which owns Heathrow, Gatwick and Stansted.

Lex, Page 18

Lawson: fulfil pledge

Limits on pensioners' earnings 'should go'

By Philip Stephens, Political Editor

MR NIGEL LAWSON, the Chancellor of the Exchequer, is under strong pressure from Conservative MPs to move towards abolition in his March 14 budget of the rule which limits the amount pensioners' can earn before they face cuts in their state pensions.

Scrapping the rule, which would imply a net cost the Treasury of only £85m, is thought to be among the many options being discussed to focus budget tax reductions on those with lower incomes.

It would fit neatly with the increasing emphasis that the Government places on encouraging employers, particularly in south-east England, to ease labour shortages by taking on active retired people.

Tory MPs believe the rule's abolition would be popular among their constituents while the cost would be insignificant when measured against Mr Lawson's expected £15bn public sector surplus. It would also fulfil a pledge made by Mrs Margaret Thatcher, the Prime Minister, during the 1979 general election.

At present men between the ages of 65 and 70 and women between the ages of 60 and 65 face progressive reductions in their state pensions once their earnings rise above £75 per week gross. Initially pensioners lose 50p for each £1 earned over the limit but once their earnings reach £79 per week, the reductions are on a pound-for-pound basis.

The "92 Group" of Conservative MPs urged Mr Lawson at a meeting earlier this week to use his budget to "make determined steps to end the earnings rule for those of pensionable age." The right-wing group, which includes nearly 100 MPs, is the largest of the backbench pressure groups and thus has considerable influence at Westminister.

The move is also advocated by Mr Terence Higgins, the Conservative chairman of the Treasury and Civil Service Committee. Outside Westminister, the charity Age Concern is planning to launch a campaign to secure abolition.

A commitment to the abolition of the limit was made in both the 1979 and 1983 Tory manifestos, but dropped in 1987.

Panel rebukes Hoare Govett for breach of takeover code

By Andrew Hill

THE TAKEOVER Panel has issued a stinging rebuke to Hoare Govett, the stockbroker, for breaching the Takeover Code when buying shares in the printing group Norton Opax for Bowater Industries, the packaging and industrial products group.

A statement from the panel said Hoare Govett's lack of thought was "wholly unsatisfactory" in a leading firm.

It was the third reprimand for Hoare Govett in the last two years. "Higher standards of competence are to be expected," the panel said.

Mr Bob Wilson, the broker's director of corporate finance, said yesterday: "We don't like what we read."

Hoare Govett bought 1m Norton shares for Bowater on January 20. On the same day, Mr Robert Maxwell accepted a 170p-a-share offer from Bowater for a 23.8 per cent Norton stake held by his Bishopsgate Investment Trust.

The combination of the two purchases broke the Takeover Code's "substantial acquisition of shares rules."

Mr Maxwell had invited tenders for the stake at 195p a share, and Bowater had not expected its lower offer to succeed.

Yesterday's statement was a victory for Hoare Govett because the panel did not force Bowater to reduce its 24.4 per cent stake in Norton Opax below 15 per cent, as the printer's merchant bank, Samuel Montagu, had demanded.

Instead, the panel stuck to its original request that Bowater should sell the 1m Norton shares – under 1 per cent of the company's equity – which Hoare Govett bought in breach of the code.

News of Montagu's appeal emerged last weekend and a statement by the panel on Monday criticised breaches of confidentiality

It has been an embarrassing week for Hoare Govett, which is part of the US-based Security Pacific group. Two days ago, the broker sold a 5 per cent stake in Taylor Woodrow at a loss of about £2m. Hoare Govett and Hambros Bank picked up a 10 per cent stake in the construction and property group from Peninsular and Oriental Steam Navigation last week. They were left holding the shares when unable to place them out to institutions.

Last March, Hoare Govett was rebuked by the panel for failing to provide an accurate system for counting shares in the bid by its client, the cement group Blue Circle, for Birmid Qualcast, the home products company. In March 1987, the broker unintentionally broke the code when it bought shares in Birmid on behalf of another client, Hepworth Ceramic.

French water group plans service contract bids

By Andrew Hill

LYONNAISE DES EAUX, the diversified French water supply and service group, intends to use its interests in British water companies as a springboard to compete for local authority service contracts.

Since last summer Lyonnaise, which has a large waste management operation in France, has bought four statutory water companies, two in the north east of England and two in Anglian Water Authority's region in eastern England.

In an interview on BBC regional radio tonight, Mr Dominique Mangin d'Ouince, Lyonnaise's managing director, says the group hopes to tender for local authority services.

Some of the UK's 400 local authorities have already started to put services out to tender. In the next three years all will have to phase in competitive tendering.

Northumbrian Water Authority and local MPs raised strong objections to Lyonnaise's bids for the water companies in the region.

Water supply is Lyonnaise's principal activity, but it is also involved in waste management, gas and electricity distribution, cable television, leisure and health care. In addition, the group has a funeral services division, which owns 29 per cent of the quoted UK funeral director, Kenyon Securities.

Three French water suppliers have won control or launched bids at 12 of the UK's 29 private sector water companies within the last year.

Six groups in bids for high-speed tunnel link

By Andrew Taylor, Construction Correspondent

SIX consortia, several including leading British and French construction groups, have submitted preliminary bids to build a privately financed high speed rail link between London and the Channel tunnel.

British Rail will decide in the next few weeks which of three proposed routes to adopt for the rail route, which will carry trains at up to 180 mph from the coast of Kent to London.

British Rail is most likely to opt for a privately financed scheme, although a final decision on this has still to be made.

The closing date for private sector bids to British Rail was the end of January.

The five of the the six groups known to have submitted bids are:

- Costain, Wimpey and Taylor Woodrow from Britain and Spie Batignolles from France;
- Laing, Mowlem and Tarmac from Britain and GTM Entrepose of France;
- Trafalgar House, the British construction, property, shipping and hotels group, and BICC the British engineering and construction group;
- AMEC one of Britain's biggest construction companies, Davey Corporation the engineering and construction group, Monk civil engineers and W.S Atkins consulting engineers: all from Britain; and
- Ove Arup Britain's biggest firm of consulting engineers has also submitted a bid.

The identity of the sixth bidder was not known last night.

British Rail's proposals have prompted strong protests from residents of Kent, who claim their homes and large tracts of countryside will be blighted, particularly if the most northern of three routes is chosen.

Separately, several European construction companies are also partnering British groups bidding to build a privately financed second crossing of the river Severn, in south-west England.

GTM Entrepose, for example, has joined John Laing, while Hollandsche Beton Groep of the Netherlands is a member of a consortium led by Tarmac which is bidding for the Severn contract.

In Brief

Reserves rise to record in January

BRITAIN'S GOLD and foreign currency reserves edged up to a record level in January, highlighting the funds available to the Government to defend sterling if necessary.

Treasury figures showed UK official reserves rose by an underlying $830m in January.

Changes in the reserves include many transactions but give a rough guide to the scale of Bank of England intervention in foreign exchange markets. The modest size of the latest rise suggests that action was limited.

During January the pound remained strong, particularly against European currencies. However, the Bank is thought to have sold pounds and bought D-Marks to curb rises. Athe end of January, the reserves stood at a record $51.7bn.

Dover traffic fall

Dover Harbour said passenger traffic in the port fell by 12 per cent to 12.3m, last year after a six-month disruption to services caused by the dispute between the National Union of Seamen and P&O European ferries. Car and motorcycle traffic was 15 per cent down and the number of coaches fell by 15 per cent.

No Brel referral

The sale of British rail Engineering, BR subsidiary, to a buy-out consortium, will not be referred to the Monopolies and Mergers Commission, Sir Gordon Borrie, director of fair trading said. The consortium is backed by Trafalgar House and Asea Brown Boverie.

Channel advances

The service tunnel of the Channel tunnel has advanced 5km from the British end, said Eurotunnel, Anglo-French tunnel group. It said the French and English ends of the tunnel would meet next year as planned.

Belfast-IBM link

Queen's University of Belfast and IBM, world's biggest computer company, announced a £5m partnership to create jobs in Northern Ireland's software industry.

Offshore degree

Salford University in Manchester and the Isle of Man education department are setting up a four-year Bachelor of Science degree course in offshore finance. Students will spend two years on the Irish Sea island, two six-month periods in an offshore bank and two years in Manchester.

Appelation row

Mr Bertram Bulmer, one of the Bulmer cider-making family, has won a year-long fight against a Brussels move to prevent him from using the word "brandy" to describe an apple liqueur produced at the Hereford Cider Museum.

Labels on the drink describe the contents as cider brandy. But Brussels tried to make him change it to cider spirit, arguing that brandy could come from only grapes. Mr Bulmer, 86, said he would go to prison rather than change the name.

Sony clears way for expansion of Welsh television output

By Anthony Moreton, Welsh Correspondent

SONY is to press ahead with a £36m expansion programme for the production of colour television sets and tubes at its Bridgend plant in South Wales.

The decision to build a 100,000 sq ft extension to the factory which will add a further 300 jobs to the present 1,500 workforce when production comes on stream in May 1990, was first revealed in the Financial Times last September.

The investment would turn the works into one of the most technically advanced vertically integrated set-and-tube plants in the world, Mr Hiro Nakamura, managing director of Sony Bridgend, said yesterday.

"It marks another important stage in our development as a European manufacturer. Introduction of the very latest technology means shorter lead times and greater flexibility in supplying our customers," he added.

Sony will seek high-level technicians to man the plant. This move will help to counter a report last year by the Institute of Welsh Affairs that Japanese companies in Wales were little more than screwdriver operations assembling high-technology goods made outside the UK.

Sony had intended to make the announcement last autumn but had been held up by stiff negotiations over a pay claim by the engineering union which represents the workers in the single-union plant.

An original offer by Sony of 5.5 per cent was rejected by the workers in a ballot and a revised 8.2 per cent emerged after talks with the arbitration service Acas. The present deal, which is one of the better ones offered in South Wales, comprises 7 per cent on the basic rate – much in line with inflation – and an extra 1.2 per cent to mark the company's success in winning a British Quality Award last autumn as well as a holiday allowance.

The pay deal compares with one of 6.9 per cent lat year.

Within the deal Sony has negotiated a new grade as an inducement to attract the high-technology staff that it needs for the plant. The union was made aware that without an agreement, including the new grade, the investment would not go ahead.

Sony arrived in Bridgend in 1973 and, with Nissan, is now the largest Japanese manufacturer in Britain. It turned out £180m of tubes and sets last year, £131m of which were exported. It intends to start building the extension next month and to be in full production by August 1990, three months after the start up.

Girobank offered to Co-operative bank

By David Barchard

GIROBANK, the Post Office banking subsidiary put up for sale to the private sector last August, has been offered to Co-operative Bank for a price close to its net asset value of £100m.

The offer is a climbdown by the Post Office which had opposed selling Girobank to Co-op and sought a price above the bank's net asset value.

However, Co-op is undecided about whether to proceed with the purchase, which would commit it to heavy expenditure to enlarge and modernise Girobank's operations.

Last night the Post Office said it was still in contact with a number of possible buyers.

Since November, when the original deadline for the sale expired, neither the Post Office nor Schroders, the merchant bank handling the move, have commented on its progress. The Post Office has been trying to keep the sale alive by talking to a small number of possible buyers, but its bargaining position has steadily weakened.

Until two months ago the Post Office hoped that Girobank could be sold to an organisation with a clearer private sector image than Co-op, which is not quoted on the Stock Exchange. It is owned by the Co-operative Wholesale Society and retains close links with the Labour movement.

Co-op has been seen as a strong candidate ever since the summer when the Government announced its plans to sell Girobank.

Co-op would have to tap outside sources of capital to buy Girobank. It has only once done this in its 116-year history. Last April it raised £40m in a 25-year preference issue managed by Chase Manhattan to finance the expansion of its customer services.

Co-op yesterday refused to comment on negotiations with the Post Office.

Bill set to restrict councillors' activities

By Richard Evans

THE Government introduced the final phase of its campaign to reform local government finance and make councillors more accountable yesterday with a Bill that drew howls of protests from the Opposition, local authority organisations and trade unions.

The Local Government and Housing Bill sets out to restrict the political activities of councillors, to ban "jobs for the boys" posts with neighbouring authorities, and to give more independence to senior officials from political pressure from councillors.

It forms a key part in the Government's campaign to end the increasing "politicisation" of councils, highlighted in recent years by the activities of left majorities on authorities like Liverpool, and Lambeth and Haringey in London.

Councils are empowered to appoint a senior official as a "whistle-blower" who will be responsible for advising on the legality of a council's activities and the management of its services.

The most controversial proposal is that to prohibit any senior official earning more than £13,500 a year and whose job includes dealing with the media or advising the public from all party political activity, including canvassing.

The Association of Metropolitan Authorities estimates that 70,000 local government workers will fall into the restricted categories.

Sir Jack Layden, AMA chairman, described the proposal as "simply indefensible." He added: "It is a gross violation of their human rights."

The bill recasts local authority capital finance by replacing the present system of controls on expenditure with a more flexible control on borrowing and all forms of credit.

It also proposes a big shake-up in housing finance. The major part of future capital receipts from the sale of council houses will have to be set aside for the redemption of debt or to meet future commitments.

Performance-related pay introduced at NatWest

By Michael Smith, Labour Staff

NATIONAL Westminster Bank is to introduce the most comprehensive performance-related remuneration package among Britain's four leading retail banks after agreeing a deal with its staff association.

The agreement provides for the implementation next year of a performance-related bonus scheme for clerical and secretarial staff. The maximum payable will be 5 per cent, but a few staff who perform "less than satisfactorily" will receive nothing.

Although all four banks have for some years operated merit-based increments for non-managerial staff, the range of payments has been considerably more limited than that envisaged in the NatWest scheme.

Bifu, the financial services union which represents a minority of the bank's staff, has rejected the pay and bonuses package. NatWest says it will implement the offer anyway.

Implementation of the deal, the first to be negotiated by one of the big four clearers this year, will give 61,000 clerical and secretarial staff a pay rise, backdated to January 1, of 5.75 per cent.

In addition, the bank is offering a 1 per cent one-off bonus as part of a grade restructuring exercise, to be implemented in July. Staff who are promoted in the exercise will be given 3 per cent, consolidated into their salaries.

The deal will give 10,000 junior managers a pay rise of 5.75 per cent and an additional 3 per cent bonus in November. This is to last for 15 months, whereas the clerical pay deal is for one year only.

From January next year a performance-related pay scheme will also be introduced for junior managers. Under this, payments – to be made from January 1991 – will range from nil to 10 per cent.

Road scheme launched as part of Birmingham redevelopment

By Andrew Taylor, Construction Correspondent

PLANS for a £74m road, partly funded by private developers, will be announced today as part of a £1bn redevelopment programme for depressed areas of north east Birmingham.

The 3.5 mile (5.6km), two-lane road would link the M6 motorway which runs north-south down western England and the ring road around Birmingham city centre, passing through more than 2,000 acres of land planned for redevelopment on the city edges.

Proposals for the road have been submitted to Mr Peter Bottomley, Minister of Transport, by Birmingham Heartlands, a consortium of five leading construction companies – Tarmac, Wimpey, Bryant, R.M. Douglas and Peter Galliford – alongside Birmingham City Council and the Birmingham Chamber of Commerce.

The developers are offering to pay £15m towards the road, which they say would ease congestion at Birmingham's famously congested motorway interchange, nicknamed Spaghetti Junction.

Mr Alan Osborne, Birmingham Heartlands chief executive and a director of Tarmac, said construction of the £150m first phase of the redevelopment programme would start during the next two months.

The Heartlands programme overall will be the largest joint public and private sector inner city project of its type since the redevelopment of London's former docklands began.

Work is due to start shortly on more than 1m sq feet of modern office and light industry space along 1.5 miles of the Birmingham-Fazeley Canal. Tarmac, Wimpey, Bryant and Douglas will carry out the developments, mostly in joint venture with the existing owners. The buildings, costing more than £100m to develop, will be let and sold when completed.

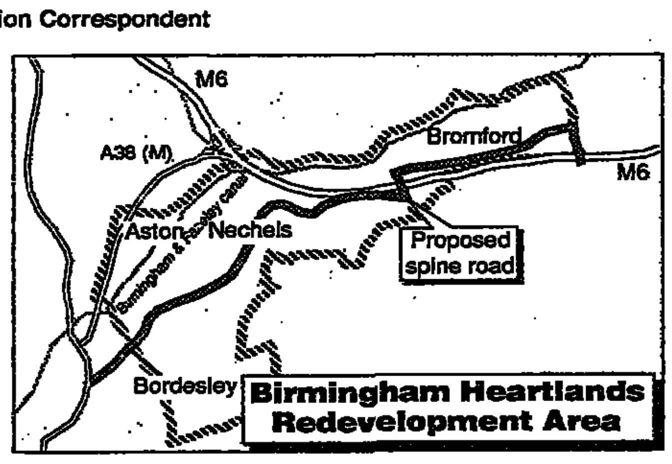
Tarmac, Wimpey and Bryant are also due to start work shortly on 130 private homes, costing a total of £35m, at Bordesley to the south of the redevelopment area. A further £11m is being spent on improving housing in the Nechells area, mostly through housing associations and estate action groups.

Mr Osborne said the developers aimed to carry out strategic projects to upgrade the redevelopment area and to encourage other investors.

Other plans included 3m sq ft of business space, up to 400,000 sq ft of shopping, two hotels and a leisure centre east of the Birmingham-Fazeley canal, known as Star site.

Existing business which did not fit in with the tone of the redevelopment would be relocated, although the council so far had not been required to use its compulsory purchase powers.

Mr Osborne said the proposed road would open up the entire site.



OBITUARY

Sir St John Elstub: former head of IMI

SIR St JOHN ELSTUB, the former chairman and managing director of IMI, the Birmingham-based industrial group, who has died aged 73, will be remembered for his work in the engineering, rocket and aircraft industries.

He was educated at Rugby and Manchester University, where he read mechanical engineering, before joining Imperial Chemical Industries as an engineer.

After service in the Second World War, first as a bomber pilot and instructor in the Middle East, and then as superintendent of the rocket propulsion department, he returned to ICI and was the first managing director of the ICI metals division, Imperial Metal Industries (now IMI), which was formed in 1962. He became chairman in 1972 and remained in that post until his early retirement in 1974.

Sir St John devoted much time to educational and public bodies. He was life governor of Birmingham University and a council member of the University of Aston in Birmingham from 1966 to 1972.

He served on the Plowden Committee on the future of the aircraft industry, and between 1967 and 1969 chaired the Elstub Committee, formed to examine the productivity of the aircraft industry. In 1971 Sir St John was one of the team that investigated the collapse of Rolls-Royce.

In addition, Sir St John served at various times on the boards of many commercial and industrial companies, including TI, Rolls-Royce, Royal Insurance and Hill Samuel.

Minister sees no future for Belfast shipyard in public sector

King presses for Harland sale

By Charles Hodgson

HARLAND and Wolff, Britain's last state-owned shipyard, has no future in the public sector, Mr Tom King, the Northern Ireland Secretary, has told MPs.

In the strongest statement to date of the Government's determination to privatise the Belfast shipbuilder, Mr King told the House of Commons Trade and Industry select committee that while there could be no guarantee of the yard's future in the private sector, "I am certain that it has no future in the public sector."

He expressed concern that time might be running out for the shipyard and said that the latest round of redundancies, announced earlier this week, gave further evidence of the urgency of securing a buyer.

The protective notices issued to 470 Harland workers are also understood to be causing concern to Bulk Transport, the London-based tanker builder, which has expressed interest in Harland.

The company is reported to be concerned that too many skilled workers may be lost. It had envisaged a workforce of about 4,000 at the yard, whereas the latest redundancies cut the number to about 2,900.

Mr King also indicated that the Government was committed to selling Short Brothers, the Belfast aerospace company, as a single entity, despite suggestions that its various divisions might be sold off separately.

But he added that while that was the Government's preference as stated in a recently-distributed information memorandum to potential bidders, if no buyer came forward for the company as a whole, the Government would obviously have to reconsider.

Several companies had expressed interest in buying Shorts as a single entity, Mr King said.

The Government would be seeking three assurances from potential bidders for Shorts, on the future of its manufacturing base in Northern Ireland, on the future of its headquarters and research and development facilities in the province and on employment levels.

Pressed by committee members over the Government's refusal to make further aid available to Harland to help secure orders in the run-up to privatisation, Mr King said that Harland had to compete fairly for orders with other privately owned yards.

The Government was also unwilling to commit a future owner to commercial arrangements with potentially long-term financial implications that might not fit with its plans.

Mr King welcomed as "helpful" a statement by Harland's management that two shipowners had expressed interest in backing the proposed management-employee buy-out, including one that would be prepared to place immediate orders.

The buy-out plan would need "substantial outside investment" if it was to succeed, he said.

THE PROPERTY MARKET

Paul Cheeseright looks at the setting up of the consortium which will develop London's County Hall

A net to catch the big fish

David Jackson needed £1bn. He only has a portion so far, but at least he knows where to find the rest.

His company, New England Properties, was set up especially to form syndicates for major property projects. Mr Jackson played a role in pulling together the consortium undertaking the redevelopment of Whiteleys, the West London department store. But County Hall, once the headquarters of the Greater London Council, was a far bigger prey.

The original consortium which he took the initiative in forming was selected last June by the London Residuary Body as the chosen developer for County Hall – to take advantage of County Hall's position on the Thames opposite the Houses of Parliament and close to Waterloo, a chosen terminus for Eurotunnel travellers.

How the consortium developed and how it went about raising the money needed to carry through the County Hall project was very much a matter of personal contacts.

When Mr Jackson started on the quest for County Hall, he knew that New England was too small to pursue the matter without another developer. He turned to London & Metropolitan, run by David Lewis, whom he had met through the Whiteleys deal. He caught him at the right time. "We wanted a major London scheme," said Mr Lewis. "We wanted a mixed development and we believed in the Channel tunnel."

But it was going to cost about £500,000 to prepare the bid. Both Mr Jackson and Mr Lewis had had relations with TR Property Investment Trust – making it a possible investor. Both knew they needed help in finding investors and finance and they knew about Lazard Brothers, the merchant bank, through their regard for the Lazard Property Unit Trust, biggest in the UK.

This was the nucleus of County Hall Development Group (CHDG) – the four founder equity members. But Balfour Beatty, the construction group which has 16.4 per cent of the equity in London & Metropolitan, chipped in money as well, not taking an equity stake but apparently positioning itself for some construction business later.

It was one thing to put in a bid, another to see through the bid to execution in the transformation of County Hall. This was where Lazards came in. "Right from the start we tried to make it an Anglo-Japanese 50-50 joint venture. We recognised that it would be crazy to fund the whole cost through equity. It made sense to have some debt," said Tom Cross Brown of Lazards.

So it was necessary to go down two parallel lines – of finding more equity partners, and of finding banks ready to provide loan finance.

The equity first. Finding additional UK partners was not such a problem as finding Japanese partners. The first approach was to Shimizu, the large construction group, because it already has a joint venture with Lazard Property Unit Trust.

But in Tokyo, there was little point in a scattergun approach. Lazards was in regular contact with Mitsubishi Trust and Banking Corporation and relied on it to bring in institutional investors. Mitsubishi provided four. At the same time Lazards used its close links with Mitsui Life and reserved for it a portion of the equity in CHDG.

On the British side the problem was that the investment climate deteriorated throughout last summer and institutions which had expressed interest fell away. The timing for Lazards was unfortunate. But the seed-corn money required was not great.

The exact amount of equity funding produced has not been disclosed but was about £120m. And Lazards did manage to achieve the 50-50 Anglo-Japanese split it sought. But this is not cut into tablets of stone.

Under the equity agreements, the founder members of the consortium – New England, London & Metropolitan, Lazards and TR Property – all have options on additional shares at 1p each as a reward for setting up the project in the first place. In addition, New England and London & Metropolitan will receive fees for their management of the development.

The first use of the equity funding has been to pay the London Residuary Body a deposit on County Hall itself. But the consortium needed to have funds in hand that would cover the purchase of the whole of the site and provide working capital – for design work, planning and so on.

So now the debt. The first thing was to appoint lead managers. County NatWest was selected because of its experience in arranging finance for property projects like Broadgate, the City of London's largest office development. The Bank of Tokyo International was chosen because it is a player on the British property finance scene and because it offered an entrée to other Japanese banks. With these two Lazards settled the balance between the equity and debt.

Subsequently County NatWest and Bank of Tokyo International arranged a stand-by facility of up to £200m at the London Interbank Offered Rate plus a margin with a syndicate of six banks. But the fact is that the facility will probably never be used. It will be drawn down only if it is needed to pay for the site. But under the contract with the London Residuary Body, the full purchase price will only be paid once CHDG has vacant possession of County Hall, now occupied by the Inner London Education Authority, and has obtained planning permission for redevelopment.

A planning application in fact will be submitted to the Lambeth Borough Council next week. There will probably be a second public enquiry, suggesting that any consent will not be available until summer 1990, roughly around the time the building will become vacant.

Completion of the purchase – and the final price depends on the nature of any planning consent – from the London Residary Body is set for September 1990. By that time the exact nature of the project will be established, the banks will know to what they are being asked to lend, and it should be possible to turn the stand-by facility into a much larger development finance facility.

IF CHDG obtains planning for its preferred plan – hotel of 450 bedrooms, 300 apartments, conference centre, 1.2m sq ft of offices, 200,000 sq ft of retail space – then the all-in cost, site included, will be around £1bn. This could imply bank borrowing of £850m plus.

Lazards is determined to keep the financing simple – just a syndicated loan, to be drawn in tranches, secured against the project itself and not the equity partners.

But the total might not be so high. The hotel is likely to be pre-sold. That will provide cash. And so will the sale of apartments in 1991-92. Such cash will be used to reduce the amount of principal. The interest on the development finance will be capitalised – common enough in the property industry.

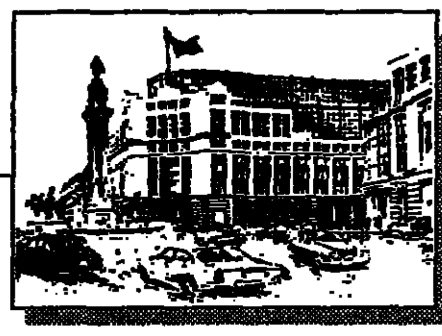
There are no contracts so far for this development financing, but after discussions with County NatWest and Bank of Tokyo International, Lazards has "received the desired level of comfort that it will be possible to raise the permanent debt facility," Mr Cross Brown said.

Such a facility would be one of a number of unusual points about the whole venture. It would be the largest single property financing ever raised in the UK. The consortium is also much larger than usual in the property industry and is a wide mix of interests. The institutional investors obviously hope for a steady return, but the construction companies involved – Shimizu and Sir Robert McAlpine, not to speak of Balfour Beatty in the background – would obviously hope for some work to come out of their involvement. At a corporate level, the scheme could propel New England and London & Metropolitan into a higher league of property developers. It would open new possibilities for Lazards – taking an equity stake is a departure from its normal practice.

County Hall Development Group

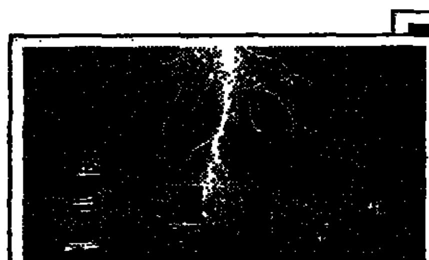
50 percent held by:

- New England Properties
- London & Metropolitan
- TR Property Investment Trust
- Lazard Brothers
- National Provident Institution
- Sir Robert McAlpine
- Gulliver Property Unit Trust
- Pension Funds of Rolls Royce, Vauxhall, Rank Xerox and BBC



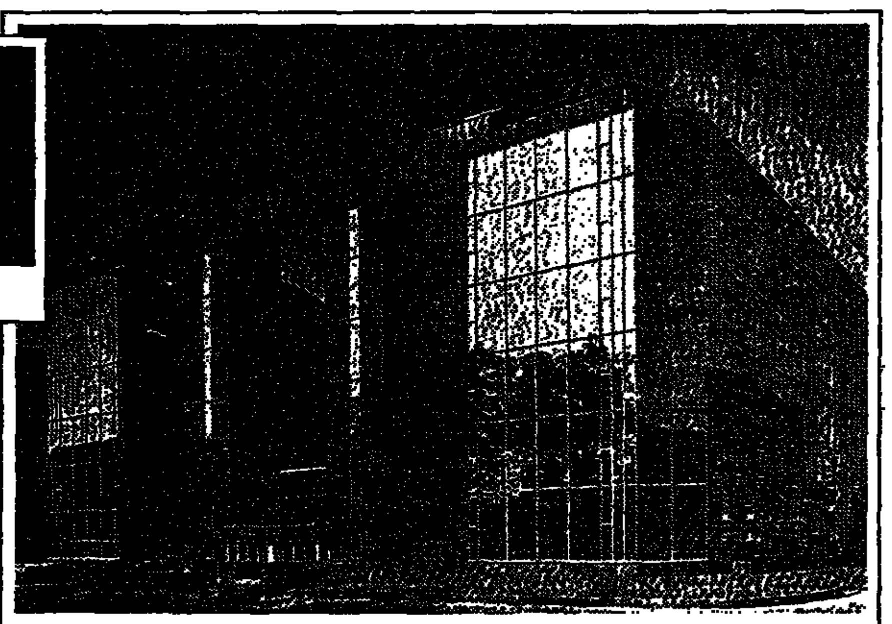
50 percent held by:

- Shimizu Construction
- Mitsui Life
- Japan Leasing
- Dai-Ichi Home Loans
- Nippon Home Loans
- Ryoshin Investments



Problem 1
▸ THE OVERHEADS ◂

Problem 2
▸ DECENTRALISATION ◂



Solution 10,000 to 57,655 SQ FT
▸ BLOCK THREE WINDSOR PLAZA HAMMERSMITH ◂

INTERNATIONAL PROPERTY

COMPANY NOTICE

Continental (Bermuda) Limited
US$ 250,000,000
Floating Rate Notes due 2006
Guaranteed by
Hungarian Foreign Trade Bank Ltd

Notice is herby given that, as at the valuation date 1st February, 1989, the value of the zero-coupon obligations (or certificates representing interests in obligations) of the United States of America was US$57,379,490.00 and the value of the Company's reserve fund was US$45,143,889.73. The aggregate value of the Noteholders security was thus 41.01 per cent of the principal amount of the Notes outstanding at the valuation date.

The determination and publication of these figures is solely for the convenience and information of the Noteholders and shall not be binding for any purpose on the Trustee or the Reserve Fund Manager or the Reserve Fund Reporting Agent nor shall it be taken as a recommendation on the part of the Company, the Valuation Agent, the Guarantor, the Trustee, the Reserve Fund Manager or the Reserve Fund Reporting Agent to buy, sell or hold investments similar to the zero-coupon obligations of the United States of America or the Reserve Fund Investments.

Valuation Agent
Girozentrale und Bank der Osterreichischen Sparkassen Aktiengesellschaft

The Financial Times proposes to publish these surveys during 1989.

March 1989	West End and Victoria Property
March	Property in Manchester
April	Property Investment and Finance
April	Property in Leeds
May	Property in London Docklands
June	Office Property
June	Marina and Waterfront Developments
July	Property in Birmingham
July	Business Parks
September	City of London Property
October	Retail Property
November	Property Research and Information Systems

For a full editorial synopsis and details of available advertisement positions, please contact

Joanna Dawson
on 01-248 8000 ext 3269
or write to her at:
Bracken House, 10 Cannon Street
London EC4P 4BY

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

LEGAL NOTICE

HOME FOCUS LIMITED

Registered number: 1910682
Nature of business: Retail Kitchen Suppliers
Trade classification: 20
Date of appointment of administrative receiver: 25 January 1989
Name of person appointing the administrative receiver: Lloyds Bank PLC
ADRIAN RICHARD STANWAY
Administrative Receiver
(Office holder number 298) of Cork Gully, Hill House, Richmond Hill, Bournemouth, Dorset BH2 6HS

KABE (WINDOWS) LIMITED

Registered number: 1221807
Nature of business: Manufacturing and installation of aluminium windows and curtain walling
Trade classification: 8
Date of appointment of joint administrative receivers: 24 January 1989
Name of person appointing the joint administrative receivers: National Westminster Bank plc
JOHN FREDERICK POWELL and IAN NAPIER CARRUTHERS
Joint Administrative Receivers
(Office holder nos 249 and 814) of Cork Gully, 43 Temple Row, Birmingham B2 5JT

ART GALLERIES

CLUBS

MANAGEMENT

Employee investment

When workers wear two sorts of hat

Kevin Brown assesses the impact of NFC's ownership structure

There are mixed feelings this week at the Bedford headquarters of NFC, the employee-owned transport and distribution group.

From Monday, NFC's shares will be listed on the Stock Exchange, allowing outsiders to buy-in for the first time since the company was privatised in 1982.

There is likely to be plenty of demand for a stake in the company, which has increased pre-tax profits from £10.1m in 1983 to £67m last year.

Yet only seven years ago, NFC was in such bad shape that the Government had to abandon plans to privatise it after being advised that there would be no buyers.

It was Sir Peter Thompson, then the newly appointed chairman, who came up with the solution to the Government's dilemma - a management and employee buy-out in which 10,300 staff subscribed for 82.5 per cent of the company.

In many ways, it was a poor deal for the Government, which received a net £7m for a company with net assets of £93.3m. But the buy-out got ministers off the hook, enabling Mrs Thatcher's first Administration to fulfil its manifesto promise.

It also created a unique business enterprise, in which most of the shareholders were also employees, trading their shares four times a year on an internal market from which outsiders were banned.

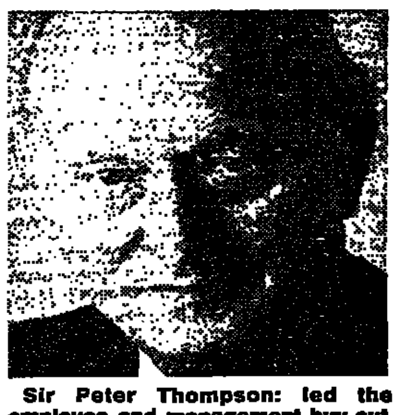
Many of the shareholders borrowed heavily to finance their holdings; others mortgaged their homes. Their faith has been rewarded by an increase of nearly 8,000 per cent in the value of shares on the internal market, to 185p, and a forecast price of at least 200p on Monday.

At that price, 19 employee shareholders will be millionaires, and more than 400 will have holdings worth more than £250,000. The average initial investment of £700 will be worth £56,000.

Sir Peter, who is still chairman, is an unabashed evangelist for employee-shareholding, ready to fire off an anecdote at the drop of a spanner about fitters or drivers bringing in new business.

Some of NFC's financial advisers were so worried about Sir Peter's strong views that they tried to persuade him to avoid the subject during the run-up to the listing for fear of discouraging the institutions.

In the event, there was no stopping him. Sir Peter believes he has found a way of revitalising much of British industry. But he is far from alone among NFC management in believing that the ownership structure has been a key element in the company's success.


Sir Peter Thompson: led the employee and management buy-out

"I think the whole of the top management feels that it has been a major contributory factor in our success since 1982, and to that extent we feel very keen to preserve it when we come to the market," says James Watson, deputy chairman.

NFC went to a lot of trouble during the negotiations over the listing with the Stock Exchange to find a way of protecting the company from a hostile bidder which could bring a quick end to employee control.

Eventually the Stock Exchange agreed to allow the company to create a special share which would be voted in proportion to employee shareholdings in the event of a hostile bid - effectively doubling their voting power.

Yet staff at every level admit that it is difficult to pin down precisely what the impact of the ownership structure is, and how it contributes to the company's competitive edge.

Sharon Craig, manager of the Enfield branch of NFC's BRS subsidiary, says she shares the general enthusiasm about the principle of employee share-ownership, but is unable to pinpoint ways in which it affects her own performance.

"I look on the shares as a sort of perk, and as an encouragement for other people. But I cannot look at myself and think that this is what makes me turn up every day and work as best I can," she says.

Robbie Burns, managing director of NFC's distribution group, says he thinks the shareholding structure has been "very important," but adds: "I can't quantify it. I can't tell you whether it is worth 20 per cent or 30 per cent; I'm just damn sure that it's worth something."

Burns sees employee shareholding as one of a number of management tools which can help to galvanise the performance of both managers and staff. But he warns that it leads to a much more open management style in which managers have to be prepared to be accountable to the people who work for them.

"If you are prepared to put yourself in a room with 50 or 60 drivers and discuss a problem it tests your mettle. There have been many times when I have come out of something like that losing 50-nil. But you very quickly learn that if you can handle that situation it is a very effective way of getting through to people."

NFC managers are generally keen to dispel any hint that the company bears much resemblance to a co-operative. It has a traditionally hierarchical management structure, and managers say their relationship with employees is not affected by anyone's shareholdings. Burns says: "Nobody gets power within the company simply by being a shareholder."

Yet management values are bound to be affected by an ownership arrangement in which workers at the annual meeting, with their shareholders' hats on, have the power not only to grill the board, but also to remove directors who don't measure up.

James Watson agrees that this unique relationship is partly responsible for the company's well known reluctance to make employees redundant. Yet he insists that managers have never avoided difficult decisions when closures have been required, as in the cases of the parcels operation and the SPD distribution subsidiary, which was acquired from Unilever, and subsequently rationalised.

"We are not a company which finds it easy to sell off or close activities. If we have a problem in a company we always try to solve it managerially rather than just saying 'let's get rid of it,'" he says. "We might not take the immediate option of closure, but we would not put up with a company which was losing money."

When pressed, most NFC managers will concede that there is much more to the company's dramatic success over the last seven years than its ownership structure.

The privatisation process itself provided a great boost, especially since the Government transformed the balance sheet by writing off £100m.


10,300 staff subscribed for 82.5 per cent of the company

Perhaps more important, the company came into the private sector with a new management which realised that the painful restructuring undergone in the last days of public ownership had created a base for rapid growth.

With the dead hand of the Treasury removed, the new management was able to implement a strategic plan which switched the company's focus from its loss-making parcels operations to growing sectors such as distribution.

There was also a clear commitment to move assets overseas, with the goal of achieving 25 per cent of pre-tax profits from outside the UK. This would probably have been impossible to achieve in public ownership.

As the changes began to take effect, NFC discovered that it was sitting on large amounts of under-used property, much of it in desirable city centre sites. NFC's property division now accounts for a small but growing share of profits, and has a major share in a number of major schemes, including the redevelopment of a large site behind King's Cross station in in London.

Managers concede that the group has benefited from the recovery of the UK economy since 1982 – particularly from the prolonged consumer boom, which has given a huge boost to its retail distribution activities.

There was also a revolution in management methods as line managers were made accountable for their budgets, and bonus schemes were introduced to boost individual performance.

In many ways, incentivisation has had a greater effect on management performance than the ownership structure. Sharon Craig, for example, says her potential bonus of up to 30 per cent of salary has a much more immediate financial impact.

However, James Watson rejects suggestions that incentivisation has been a more important part of NFC's revival than employee ownership.

"We (senior managers) feel a bigger responsibility to people than we would if we were just putting in bonus schemes. When you have a number of people who are shareholders, who have a right to be consulted, then that gives them a lot of strength and it gives us a lot of responsibility to talk to them about what is going on. I don't think you would ever get that sort of commitment without ownership," he says.

What is not clear is whether NFC employees share the high regard in which their managers clearly hold the shareholding structure, or whether they regard it as just another perk.

The evidence of annual meetings, where up to 3,500 worker-shareholders have been known to turn up, is that many do think it very important. The company is also committed to distributing 15 per cent of pre-tax profits in the form of shares each year, in an attempt to keep employee shareholders in the majority.

If more than a small percentage of employees sell their shares in the next few weeks the message will clearly be that many would sooner have the money than a stake in the business. But the effects of that on future performance will take time to emerge.

"Over the past few years the shareholding structure has helped to create a company culture," says Robbie Burns. "We won't know how important that is until we haven't got it."

A further article on NFC's operating structure will be published on Monday.

The complications of relocation

By Hazel Duffy

Ninety three per cent of top managers in south-east England believe that their senior staff would not be prepared to move if their companies decided to relocate to the north-west, according to a poll conducted by the Manchester Business School.

Shell Chemicals actually did much better. Some 80 per cent of staff took up the offer of positions in Chester when the company decided to move.

Both Shell Chemicals and the Law Society, which took 30 staff to its new office in Redditch, in the Midlands, cite poor office accommodation in London as one of the main reasons for moving.

Price Waterhouse, in a survey* prepared with the Employee Relocation Council of the Confederation of British Industry, has found that poor accommodation and facilities are the most common trigger for company relocations.

Furthermore, interviews with 50 companies reveal that organisations tend to start thinking about relocation when they realise that their premises are deteriorating. Very few carry out regular audits whereby they compare available space with their planned requirements. Larger organisations, which have directors specifically responsible for space and facilities, tend to be the ones with a good perspective on longer term needs.

The time that it takes to carry out a relocation is frequently underestimated by management. It took Shell Chemicals 15 months from the announcement of the decision to the full occupation of the new premises. For the Law Society, it was 13 months from the time consultations began with staff to completion of the move. Relocation of some divisions of NEC from Motherwell in Scotland to Milton Keynes in the south-east took 18 months.

Decisions forced on companies by the state of their accommodation can lead them to compromise on their requirements. But even with the best planned moves, conditions can change quite significantly during the time span between the decision to move and completion.

Peterborough and Milton Keynes, for instance, have attracted many companies. But this has had the effect of raising salary expectations throughout both areas; and some companies in the survey note that the loyalty of locally recruited staff has not proved as high as they expected.

NEC has a much higher turnover of all types of staff in the south-east than it had in Scotland. Other problems noted by companies include:

● Delays caused by unforeseen conditions, and difficulties with building contractors and in the supply of specialist plant and equipment. In a few cases, the supply and installation of telecommunications is mentioned. An "alarmingly large" number of companies have come across unforeseen site problems, such as toxic waste.

● Maintaining confidentiality, particularly during the early feasibility and planning stages, can be difficult. Companies might want the expertise of certain managers, but at the same time to restrict the numbers who are made aware of the proposals until these are adequately developed.

● The reaction of employees to the announcement of a proposed move is nearly always underestimated. Likewise, the effort needed to persuade key staff to relocate can be much greater than expected.

● Moves across the north-south divide can be a big problem, stemming particularly from the gap in house prices. However generous the incentives offered by the company, some people are just not willing to contemplate the idea.

● The costs of relocation can turn out higher because of unexpected factors, like the need to retain staff.

● Most organisations do not use outside specialists. When they do, they generally report favourably on the exercise. NEC, for instance, appointed consultants who kept the programme confidential until the announcement could be made.

Relocation usually has the effect of changing the culture of an organisation. In the case of Shell Chemicals, this was appreciated and seized upon by the senior management as an opportunity to carve a more specific identity within the Shell group.

**Price Waterhouse Relocation Management Group, Thames Court, 1 Victoria Street, Windsor SL4 1HB. £45.*

TECHNOLOGY

Data get a safer ride between computers

LOSING information as it travels over the telephone lines is a potential nightmare for many companies. But they should be reassured by the latest international standards governing modems, which translate the digital language of computers into an analogue format for telephones.

In November the CCITT, the international telecommunications standards body, approved a standard called V.42. This defines an error-correcting technique which ensures that data sent over the telephone line arrive intact. Now the CCITT is circulating proposals for compression to squeeze the data into a smaller space and so reduce telephone bills.

Hayes Microcomputer Products, of the US, is already selling a modem in North America which incorporates the error-correcting formula and it will soon be available in the UK. Most of the leading modem companies will bring out products manufactured to the V.24 standard this year.

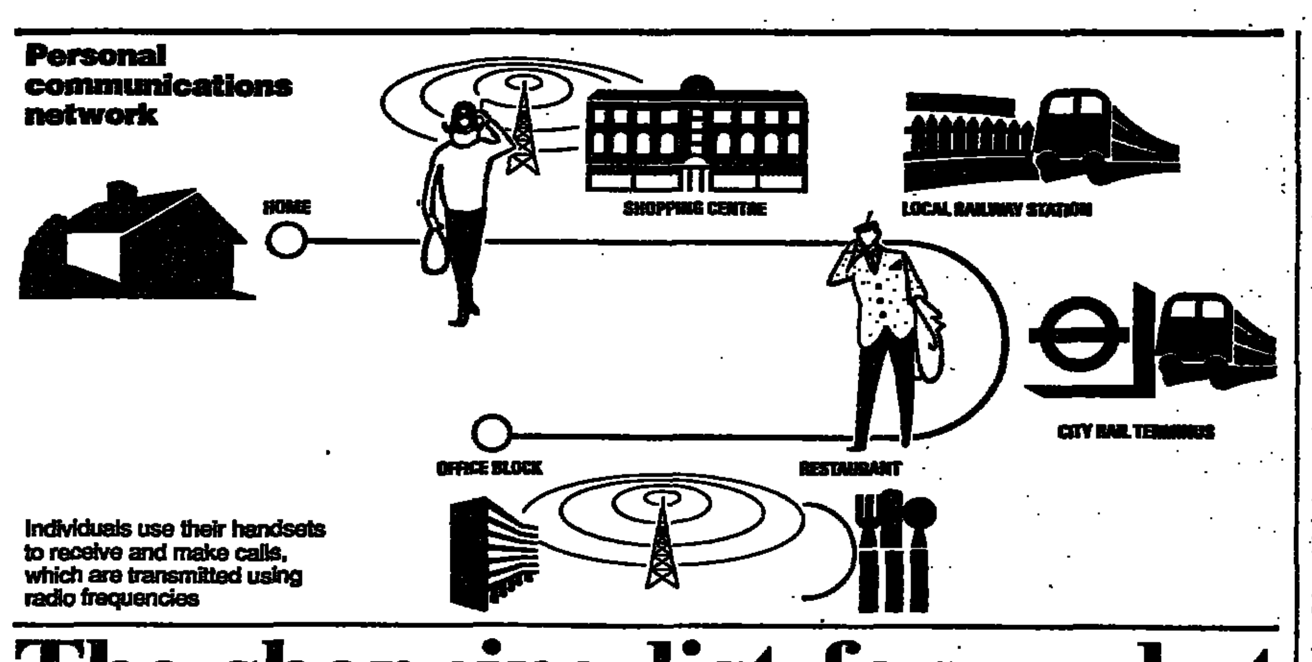
The market for modems is growing in spite of worries that they would become obsolete as telephone companies converted their networks from analogue to digital lines. This is because the conversion is taking place so slowly, both in the US and Europe.

Market analysts now reckon that the modem market will be healthy for several years. Dataquest, for example, predicts that the European market will be worth $996m (£570m) this year, rising to $1,231m by 1992.

Dennis Hayes, founder of Hayes Microcomputer Products, believes that the change from analogue to digital is in itself creating business. "What we've done with our strategy and our products makes it easier for businesses to manage that transition."

The standards for error correction and compression (which will be called V.24 bis) will be packaged together in modems with another standard. V.32, developed four years ago. It standardised the speed at which modems operate to 9,600 bits of information (equivalent to about 200 words) per second.

Della Bradshaw



The shopping list for pocket phones gains a new line

Hugo Dixon explains what might be entailed in 'personal communications' — a new type of mobile telephone

"PEOPLE expecting an important call would still be able to get out and about. Shoppers and commuters would be able to ring home or office from anywhere. People, especially women out at night or feeling under threat, could have the added reassurance of a phone in the pocket or handbag."

With these words, Lord Young, the UK's trade and industry secretary, last week launched the concept of "personal communications" on an unsuspecting world. He said that by the end of the year he wanted to license at least two companies to offer such services.

What the industry has been puzzling over since then is what exactly personal communications are. How will they differ from all the other types of mobile communications which have flooded the UK market this decade? On what technology will they be based? Will anybody want to use them? Which companies will be allowed to apply for licences? And how do personal communications fit into the Government's overall policy of injecting more competition into telecommunications?

There are, as yet, few precise answers to these questions. The Department of Trade and Industry has issued a discussion document* on the subject, outlining one way in which personal communications might develop, but it has made clear that its mind is not made up and that it will be looking for innovative ideas from industry during the three-month consultation period.

The Government intends that personal communications should compete with both cellular communications and, possibly, with British Telecom's ordinary fixed telephone service. This would seem to imply that neither of the nation's existing cellular operators — Cellnet, a BT subsidiary, and Racal Telecom — would be awarded a licence. Apart from that, the field of potential licencees is wide open.

A number of broad parameters has also been set: personal communications will offer two-way communications; they will be based on digital technology; they will be launched as soon as is practical after 1991; and they will use radio frequencies in the 1.7Ghz to 2.3Ghz range. These position personal communications as something of a cross between cellular telephone and telepoint, another mobile service which is due to start in the UK early this summer.

Cellular is the most sophisticated service in the mobile communications family. It allows people to make calls when they are moving and is therefore ideal for car phones. It also allows people to receive calls as well as make them.

Telepoint is less sophisticated. People cannot receive calls and, to make them, they have to be within 150 metres of a radio base station. It has the advantage, however, of being much cheaper than cellular and the phone is small enough to be carried in the pocket.

Ideally, the Government would like personal communications to have all the features of cellular but the cost and size of telepoint. This is clearly impossible and so the key question, in determining how personal communications networks should be engineered, is where to strike the balance between features and cost.

Cellular systems have two principal features, which explain both their sophistication and cost compared with telepoint.

A cell phone is in constant touch with the nearest base station, even when it is not being used to make a phone call. Behind this network is an "intelligent" computer system which keeps track of all the phones, enabling people to receive calls as well as make them.

Cellular networks also incorporate a feature called "handover". This means that whenever a person moves out of range of one base station, the call is automatically transferred to the neighbouring one without any interruption in the conversation.

The DTI believes that there would be no demand for a service providing only outgoing calls since telepoint — which offers such a service — would already be well established by the time the new personal communications networks were ready to start. The Government has therefore decided that the new networks should be able to receive calls, meaning that they will have to incorporate a computerised tracking system.

The main argument therefore boils down to whether handover should be built into the networks. If it were, they would be like cellular systems except that the base stations would have a shorter range.

The DTI has pencilled in a range of one kilometre for the personal communications base stations. This compares with cellular's range of several kilometres and telepoint's range of only 150 metres.

A longer range has the advantage that base stations do not need to be so tightly packed to give full coverage of the country. One of the drawbacks of telepoint is that people will have to search for a base station before they can make a call. On the other hand, tightly packed base stations use the scarce radio spectrum much more efficiently, because the same frequency can be used over and over again.

The DTI's compromise proposal should create no problems in cities, towns and suburbs, where it should make economic sense to put in base stations every 1 km. The snag is that it is unlikely to be profitable to install them so close together in the countryside. This, in turn, calls into question whether handover is a necessary sophistication of the new systems.

Handover's main advantage is that it allows people to make calls from their cars. But somebody needing this feature would presumably want to use it in the countryside as well as in the suburbs. They would therefore opt for the established cellular systems, making it difficult for the new networks to get any business unless they could undercut cellular in terms of price.

For this reason, handover seems to be something of an unnecessary luxury, particularly since the new networks will anyway have difficulty keeping down costs. The frequencies they are being allocated are much higher than those used for other types of mobile communications, with the result that the essential radio components have yet to be developed. This will take time — the main reason the service is not due to start until after 1991 — and will cost extra money.

The DTI has a few ideas about how the cost could be minimised. One is to base personal communications on the next generation of European cellular technology, which is also due to come into service from 1991. Another is to base it on the next generation of European cordless technology, an advanced type of telepoint.

Either of these approaches would both reduce development costs and help to overcome objections within Europe that Britain was going it alone with an incompatible system of its own. Even so, the radio components for the new networks would still have to be developed afresh.

Keeping costs low could make the service cheap enough to appeal to Lord Young's shoppers and commuters.

It might also, in the long run, mean that personal communications could compete with British Telecom's mainstream fixed service. Technologically, there is no barrier. People would be free to use their personal communicators at home as well as out in the street. The main barrier is that this is likely to cost much more than sticking with BT.

** The discussion document, Personal Communications in the 1990s, can be obtained from Room 534, Kingsgate House, 68-74 Victoria Street, London SW1E 6SW. Comments should be made by April 28.*

Painting vandals into a corner

By Della Bradshaw

ONE OF London's famous red buses is getting a facelift this month in a trial aimed at combatting graffiti.

Following in the tracks of London Underground and British Rail, London Buses is coating its vehicle with a graffiti-resistant paint made by Britain's oldest paint company, T & R Williamson, of Ripon in West Yorkshire.

"You can't stop vandals putting graffiti on," says Jamie Moores, managing director of T & R Williamson. "What you've got to do is make it easier to clean it off."

The anti-graffiti paint facilitates this because it is almost totally chemically inert. Supplied in two packs, it must be mixed, like some of the strong glues. The mixture is applied to the surface while the molecules of paint in the polyurethane base are reacting with the hardener. Once the reaction is over, a hard, dry coating is left which is also fire-resistant.

Because virtually all the paint molecules are involved in the reaction, almost no stray ones are left for the graffiti paint to bond with. This means that when the vandal daubs on a chemically reactive substance, such as spray paint or ink from a felt-tip pen, the coating and the paint do not react.

Instead the graffiti sits on top of the coating and can be wiped off easily. (With traditional paints, the two substances react to form a new compound which is almost impossible to remove.)

As with domestic paint, the coating is applied in two stages, the undercoat and the finish. The undercoat is designed to prepare the surface of either metal or concrete and brickwork.

One of the reasons London Buses prefers the new paint is that it can be brushed on instead of sprayed, which means more repainting can be done in the regular garages.

London Underground already has one train operating on its East London line in the new graffiti-proof livery — red at the front and back, blue doors and white body. Six more on this line will be painted, at a cost of £10,000 per train, and it is claimed that the coating will last for 10 years. The latest figure for the cost of graffiti removal is more than £1m a year for 463 trains.

Ian Derbyshire, general manager of the East London Line, believes that when the cost of painting the trains is balanced against the cost of cleaning them, the new approach will save London Underground money.

Tube trains in London are particularly susceptible to graffiti because the surfaces are un-painted aluminium. As they get older the aluminium becomes porous and the vandal's paint soaks into the metal structure. Even after most of the graffiti paint has been removed, there is an outline or shadow of the writing left on the body of the train.

So far London Underground's only painted train seems to have deterred the vandals — no-one has tried to daub anything on it. Derbyshire believes that the vandals have been put off by its shiny appearance and the realisation that their handywork would be short-lived.

His concern now is to find a suitable paint or coating for the inside of trains, where a higher standard of fire-resistance is required and where graffiti writers are still running amok.

After five years of research and development, T & R Williams has sold the paint, for trials, to more than 20 bus companies in the UK, from Barnsley to Brighton.

Moores also sees a potential for exporting it to other transport authorities, such as the Paris Metro. The paint could even become a new guardian angel for New York's graffiti-ridden subway cars.

THERE'S A NON-GRAFFITI-PROOF ONE RIGHT BEHIND, MATE

ARTS

Arts Week

F	S	Su	M	Tu	W	Th
3	4	5	6	7	8	9

OPERA AND BALLET

London

Royal Opera, Covent Garden. The long-awaited first London performances of an opera by Luciano Berio are given by the Royal Opera: *Un re in ascolto*, a dazzling kaleidoscope of sounds, themes, and dramatic visions. The composer conducts, Graham Vick is the producer, and the cast includes Donald McIntyre, Robert Tear, Kathryn Harries and Elizabeth Laurence. Further performances of Nuria Espert's *Madama Butterfly* production, now earlier this season. The much-admired Yoko Watanabe, Mario Malagnini, Thomas Allen and Anne Mason take over the leading roles, and Mark Ermler conducts.
English National Opera, Coliseum. The first British performances of Aribert Reimann's dry, noisily violent Shakespeare adaptation, *Lear*, a 1970s opera already seen throughout Europe and in the US. Monte Jaffe takes the title role, a uniformly impressive cast includes Phyllis Cannon, Rosa Mannion, Nigel Douglas, and Rodney Macann, and the conductor is Paul Daniel; the brilliant production is by Elke Gramss. Return of Bizet's uneven but lovably fresh and tuneful *The Pearl Fishers*, with Cathryn Pope Arthur Davies, and Alan Opie. Also in repertory, *La Bohème* is revived with an uneven cast headed by Rosamund Illing, David Rendall, Anthony Michaels-Moore and Nancy Gustafson.
The Royal Ballet performs *Romeo and Juliet* on Feb 2,4,7 at Covent Garden.

Paris

Paris Opéra. Wagner's *Die Meistersinger von Nürnberg* conducted by Lothar Zagrosek. The Hamburg Staatsoper production begins at 6pm. (47 42 53 71).
Palais des Sports. Spain's national ballet brings colour and a fiery temperament with its 70 dancers and 250 costumes under the artistic direction of José Antonio (bookings 48 28 40 90, info 48 28 40 48).

Vienna

Staatsoper. In repertory: *Die Walküre* is conducted by Hans Wallat, with Leonie Rysanek-Gausmann, Gwyneth Jones, Christa Ludwig, Kurt Moll. *Iphigenie en Aulide* conducted by Sir Charles Mackerras; cast includes Gundula Janowitz, Joanna Borowska, Noriko Sasaki. *Otello* is conducted by Adam Fischer, with Katia Ricciarelli, Margareta Hintermeier and Peter Koves. *Herzog Blaubarts Burg* is conducted by Jiri Kout and *Erwartung* by Ulf Schirmer. Ballet: *Dream Dances* and *Les Noces* (51444, ext 2660).
Volksoper. The week's performances include *Kiss me Kate*, *Die Fledermaus*, *Cosi Fan Tutte*, *Die Zirkusprinzessin*, *Der Zigeunerbaron*, *Mignon* and *Die verkaufte Braut* (51444, ext. 2662).

Berlin

Opera. *Lucia di Lammermoor* has fine interpretations by Angela Denning, Kaja Borris, George Fortune and Alberto Cupido. *The Rake's Progress*, produced by Jürgen Tamchina and conducted by Stefan Soltesz, has its premiere this week with Eva Johansson, Barbara Scherler, Victor van Halem and Istvan Gatti in the main parts. *Die Hochzeit des Figaro* in Götz Friedrich's production faetures Iris Vermillion, Julia Varady, Carol Wyatt, Alan Titus, Manfred Roehrl and Bengt-Ola Morgny. *Coppelia* rounds off the programme.

Bonn

Opera. *Tannhäuser* stars Grace Bumbry, Richard Versalle, Alfred Muff, John Broecheler, Nadine Denize and Christer Bladin and is well conducted by Dennis Russell Davies. *Die Fledermaus* provoked heavy protests against the ultra-modern Bernard Broka production, which was redeemed by the singing by Ludwig Baumann, Barbara Daniels, Christer Bladin and Georg Tichy.

Frankfurt

Il Barbiere di Siviglia is a well done repertoire performance with Zehava Gal, Sonia Theodoridou, Josef Kundlak and Rodney Gilfry. *Der Wildschütz* features Julie Kaufmann, William Workman, *Susanne Freyler and Bodo* Schwanbeck. *Dido and Aeneas* returns with a new cast led by Rodney Gilfry, Glenys Linos and Ulrike Sonntag. Also: William Forsythe's ballet *Isabelle's Dance*.

Amsterdam

The Netherlands Opera production of *Ariadne auf Naxos* by Richard Strauss is directed by Graham Vick. Stephen Barlow conducts the Netherlands Philharmonic, with Rita Cullis as Ariadne, Jeanne Piland as the Composer and David Griffith as Bacchus (Sun, Tue).
Nederlands Dans Theater with a new ballet by Mark Haim to music by Mozart, *A Tear in Time* (Chase/Lipari), and *Lieder eines fahrenden Gesellen* (Kylian/Mahler) (Thur). Muziektheater (255 455).

Rome

Teatro dell'Opera. Cimarosa's *Gli Orazi e i Curiazi* conducted by Alan Curtis with Gianna Rolandi, Anna Caterina Antonacci, Patrizia Dordi and Franco Farina (Tues) (46.17.55).

Milan

Teatro alla Scala. Luca Ronconi's adventurous and successful production of Weber's romantic opera, *Oberon* (last performed here 50 years ago) conducted by Seiji Ozawa. A mixture of Shakespeare, Ariosto and the Arabian Nights, this lavish production provides particularly fine performances from Philip Langridge in the title role (alternating with Manfred Fink) and Markus Baur as Puck (Sun, Tues) (80.91.26).

Naples

Teatro San Carlo. Puccini's *Madama Butterfly* produced by Mauro Bolognini and conducted by Bruno Moretti, with Olivia Stapp, Elena Mauti Nunziata, Eleonora Jankovitch, Dano Raffanti and Giovanni de Angelis (Sun) (7972412).

New York

BAM Opera. The Welsh National Opera inaugurates the new BAM Opera with Peter Stein's celebrated production of *Falstaff*, with Richard Armstrong conducting the US debuts of the WNO and Peter Stein. Brooklyn Academy of Music (307 7171).
Metropolitan Opera Opera House, Lincoln Center. Carol Vaness, Frederica von Stade and Siegfried Jerusalem are featured in the first seasonal performances of *Idomeneo*. *Bluebeard's Castle* continues with Jessye Norman as Judith and Samuel Ramey in the title role in performance with the monodrama *Erwartung* where Jessye Norman sings the Woman. James Levine conducts both, as well as *Don Carlo* with Neil Shicoff in the title role, Margaret Price as Elisabetta, Tatiana Troyanos as Eboli and Bernd Weikl as Rodrigo. The week also features the last performances of *Il Barbiere di Siviglia*. (362 6000)
New York City Ballet, State Theatre, Lincoln Center. The 40th anniversary season continues with 26 works by George Balanchine, nine by Jerome Robbins and five by Peter Martins. In addition, works by Laura Dean, Eliot Feld, William Forsythe, Lar Lubovich, commissioned for this season, will be interspersed in the season, which ends Feb 26 (496 0600).

Washington

Washington Opera, Eisenhower Theater, Kennedy Center. Paul Lustig Dunkel conducts Albert Takazauckas's production of *The Postman Always Rings Twice*, Stephen Paulus's 1982 adaptation of James M. Cain's novel of passion and violence. Pamela South is Cora and Timothy Nolen sings Frank in this Washington première. (254 3776)

Tokyo

I Puritani, sung in Italian by the Fujiwara Opera Company, with guest artist Aldo Bertolo. Tokyo Philharmonic Orchestra, conducted by Carlo Franci. Shinjuku Bunka Centre (Wed) (369 7020).

MUSIC

London

English Chamber Orchestra conducted by Philip Ledger. Mozart and Vivaldi. Barbican Hall (Sat). 638 8891.
London Symphony Orchestra *conducted by Myung Whun* Chung with Helen Grimaud on piano. Barbican Hall (Sun). 638 8891.
London Oriana Choir and English Baroque Orchestra, with Gillian Fisher (soprano) and Neil Mackie (tenor). Mozart. Barbican Hall (Tue). 638 8891.
Symphony Orchestra of the Royal Academy of Music conducted by James Loughran with John Lill on piano. Rossini, Beethoven and Tchaikovsky. Barbican Hall (Wed). 638 8891.

Paris

Ensemble Intercontemporain conducted by Peter Eotvos. Frederick *Martin, Jacques Lenot*, Antoine Bonnet. Centre Georges Pompidou (Mon). 42 78 79 95.
Orchestre de Paris conducted by Daniel Barenboim, Orchestre de Paris choir conducted by *Arthur Oldham*. Berlioz: The Damnation of Faust (Tue). Beethoven's Missa Solemnis (Wed). Salle Pleyel 45 63 07 96.

Vienna

Wiener Symphoniker conducted by Gerd Albrecht. Schmidt, Richard Strauss. Musikverein (Sat).
Münchner Philharmoniker conducted by Sergiu Celibidache. Bruckner. Musikverein (Sun, Mon).
Konservatorium der Stadt Wien conducted by Josef Maria Muller. Musikverein (Tues, Wed).

Utrecht

Radio Philharmonic conducted *by Gaetano Delogu. Mahler (Fri).*

Brussels

Orchestre National de Belgique conducted by Georges Octors *with Yuri Braginsky (violin).* Verdi, Paganini and Mendelssohn. Palais des Beaux Arts (Fri). *512 1002.*
Stockholm Philharmonic Orchestra conducted by Paavo Berglund with James Galway (flute) and Marisa Robles (harp). Strauss, Mozart and Tchaikovsky. Palais des Beaux-Arts (Mon).
Orchestre National de Belgique conducted by Mendi Rodan with Paul Tortelier ('cello). Beethoven, Richard Strauss. Palais des Beaux-Arts (Thurs).

Berlin

Detroit Symphony Orchestra conducted by *Günther Herbig*, with Gidon Kremer (violin). Schumann and Bruckner. Phil*harmonie (Mon).*

Rome

Lucia Valentini Terrani (contralto) conducted by Georges Pretres presents a recital of Respighi's symphonic poems The Fountains of Rome and The Pines of Rome, and Mussorgsky's Pictures at an Exhibition. Auditorium in Via Della Conciliazione. Recital (Fri) and conducting (Sat, Sun, Mon, Thurs.) 65541044.

Amsterdam

Netherlands Philharmonic under Ken-Ichiro Kobayashi with Joseph Swensen (violin). Webern, Bruch, Tchaikovsky (Wed).
Netherlands Philharmonic Chamber Orchestra under Hartmut Haenchen, with Malcolm Frager (paino). Webern, Mozart, Strauss. Beurs (Wed). 270466

New York

Eugenia Zukerman flute recital with Anthony Newman (piano). Couperin, Rameau. New York *Public Library* (Mon).
Philadelphia Orchestra conducted by Ricardo Muti, with Pinchas Zukerman (violin/viola). Beethoven, Scriabin. Carnegie Hall (Tue). 247 7800.
Emanuel Ax and Joseph Kalichstein (piano) in recital with Sharon Robinson and Andre Emelianoff ('cellos), Philip Myers (horn) and Jonathan Haas and Joseph Passaro (percussion). Bartok, Schumann. Kaufmann Hall (Tue, Wed) 427 6000.
New York Philharmonic conducted by Leonard Slatkin, with Mark Peskanov (violin). Stanley Wolfe: Violin Concerto (world première), Shostakovich. Avery Fisher Hall, Lincoln Center (Thur). 799 9595

Washington

David Wehr piano recital. Beethoven, John Pozdro, Debussy, Albeniz. Kennedy Center Terrace *Theater* (Mon). 254 9895
Chicago Symphony Orchestra conducted by Sir Georg Solti. Schubert, *Shostakovich*. Kennedy Center Concert Hall (Wed). 254 3770
National Symphony Orchestra conducted by Mstislav Rostropovich, Andre Watts (piano). *Holst*, Schubert, Beethoven, Berlioz. Kennedy Center Concert Hall (Thur). 254 3770

Tokyo

NHK Symphony Orchestra, conducted by Horst Stein, with Dmitry Alexeyev (piano). Tchaikovsky, Shostakovich, Prokofiev. NHK Hall (Thurs). 465 1780
Tokyo Metropolitan Symphony Orchestra conducted by Jerzy Makksymiuk, with Isabella van Keulen (violin). Mendelssohn, Mozart, Stravinsky. Tokyo Bunka Kaikan (Thurs). *822 0727*

THEATRE

London

Single Spies (Lyttelton). Marvellously entertaining new Alan Bennett plays about Guy Burgess and Anthony Blunt, *with Simon Callow and the* author. Prunella Scales joins in as Her Majesty the Queen. *In National Theatre repertoire* until February 4 before transferring to West End (928 2252).
A Walk in the Woods (Comedy). Alec Guinness and Edward Herrmann in feeble off-duty arms negotiation encounter by Lee Blessing. Guinness, back on the London stage after 10 years, is in subtle virtuoso form as the Soviet veteran of tactical stonewalling and no-dealing tricks (930 2578, cc 839 1438).
The Secret Rapture (Lyttelton). Brilliant new David Hare piece for the National Theatre, a satirical but moving romance on life, love and family politics in Thatcher's Britain. The play of the year. Feb 8-11, 24, 25, 27, March 9-15, March 25, 27 (928 2252, cc 240 7200).
The Shaughraun (Olivier). Recommended Christmas treat, as Boucicault's melodrama is given the full scenic works but is also revealed as a key Irish dramatic milestone. Fine National Theatre cast led by Stephen Rea. (928 2252). Feb 13-16, March 1-4.
Brigadoon (Victoria Palace). 1947 Lerner and Loewe "heather-scented" Scottish fairytale hit is handsomely revived and well sung, less frail than expected. (834 1317, cc 836 2428).
The Sneeze (Aldwych). Eight short Chekhov pieces – four vaudevilles, four early stories – translated and adapted by Michael Frayn and performed in various styles by Rowan Atkinson, Timothy West and Cheryl Campbell. Slightly rewarding, intermittently funny *(836 6404, cc 379 6233).*
Mrs Klein (Apollo). Intriguing chat among the child psychoanalysts in Nicholas Wright's hit transfer from the National. Fizzing performances from Gillian Barge, Francesca Annis, Zoë Wanamaker (437 2663).
Orpheus Descending (Haymarket). Triumphant debut for the Peter Hall Company with Vanessa Redgrave *candescently* sensual and Italianate in atmospheric restoration of Tennessee *Williams's last indisputably* major play (930 9832).
Henceforward (Vaudeville). Ian *McKellen* and Jane Asher in bleakly funny and experimental Alan Ayckbourn comedy of future shock and strained marriage. A tale of obsession, devotion, computer music, women as robots, gangs on the streets and a tug-of-love (836 9987, cc 741 9999).

Rotterdam

Evita (Doelen). Original Broadway production with Florence Lacey. (Mon, Wed, Thur). (413 2490).

New York

Rumours (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits. Christine Baranski leads an ebullient cast in the inevitable but disappointing hit.
Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).
Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).
Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).
Marcel Marceau (City Center). Month-long performances by the legendary French mime mark his first appearance in New York in six years. Ends Feb 26 (581 7907).

Chicago

Driving Miss Daisy (Briar Street). The touching relationship between a dowager, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South *over the past several decades* (348 4000).
Steel Magnolias (Royal George). *Ann Francis and Marcia Rodd* play the leads in this view of southern life from under the dryers in a busy *hairdressing* establishment (988 9000).
The Piano Lesson (Goodman). Prolific August Wilson continues his exploration of the American black in history with a play, set in 1936, about a family's arguments set round an elaborately carved heirloom piano. Ends Feb 11 (443 3800).

Tokyo

Kabuki. Kabuki-za (541 3131). The matinee performance at 11.30am features four works, including a recent showpiece, *Genji Monogatari*, a tale of the Genji clan. The final play in the evening performance at 4pm is *Megumi no Kenka (The Fight with the M Brigade)*, which features a spectacular and amusing fight between firemen and sumo wrestlers and stars Onoe Kikugoro VII, for whose great-grandfather the play was written. Tickets are available for a single act and the theatre provides informative English-language programmes and commentary.
Continued on Page 15

Before Blériot had crossed the Channel, Australian Mutual Provident had crossed the world.

The intrepid aviator skimmed the waves to land at Dover on July 25th 1909. A far-sighted Daily Mail ran the headline 'Britain no longer an island'.

A year earlier, Australian Mutual Provident had crossed the globe to open its first branch in London.

From our foundation in 1849, AMP has led the Australian insurance scene, and today, with assets of over £12bn, we write nearly a third of all Australian life insurance and retirement fund business.

AMP continues to spread its investments broadly, over shares, government and fixed-interest securities, property, energy and natural resources, and at the same time to seize growth opportunities when they occur.

In the coming years, we mean to continue our profitable growth, domestically, in the UK, and in new overseas markets, to give our policyholders the security that only financial strength can provide.

Both Blériot and AMP were pioneers. Both forged new links between Britain and the world.

80 years on, the AMP Group is still a pioneer and a leader.

AMP
GROUP
A Member of LAUTRO

ARTS

Khovanshchina

STAATSOPER, VIENNA

Times have not been good at the Vienna State Opera recently. In the time-honoured Viennese hire-and-fire tradition, the Intendant, Claus Helmut Drese, is being removed from his post after only a relatively short time in it (though he plans to sit out his contract until mid-1991). In a piece entitled "New Year thoughts" in the January house newspaper, Drese offers a spirited defence of his regime, past and present, and his plans for the future.

The best sort of defence and morale-booster for the house and its embattled head is, however, the kind provided by the new production of Mussorgsky's *Khovanshchina*, conducted by the State Opera musical director Claudio Abbado. Musically this counts as one of the great performances of our day, a conductor's triumph of skill and sympathy combined. As this profound, elevating epic work is famously difficult to put on successfully, the achievement is a noble one indeed.

Abbado, as he proved with *Boris Godunov* at both La Scala and Covent Garden (and as Radio 3 listeners to last Saturday's *Khovanshchina* relay will doubtless have realised), is the sort of Mussorgsky champion for whom the composer's works cry out. He is inspired – more than just an advocate, he is a believer. *Khovanshchina*, the "musical drama in six scenes" in which Mussorgsky and his librettist-collaborator Vladimir Stassov attempted to catch the temper and pulse of a whole nation at a crucial moment in its history, needs him, for it is one of the essential Problem Operas.

It was incomplete at Mussorgsky's death, a tangle of mostly unorchestrated sketches (like Covent Garden, Vienna uses Shostakovich's scoring, adding to it the marvellously apt and sensitive final chorus on Mussorgskian themes that Stravinsky composed for Dyagilev in 1913). There is no "fixed" version (Vienna included the sometimes-cut Kuzka's song and episode with Susanna, but omitted the Pastor). The narrative surface, for non-Russians above all, is disjunct, awkward to negotiate, requiring at least a smattering of historical knowledge, and laden with potential confusions. It is a "slow" opera, and in less-than-electrifying performances can seem a dull one.

Not here. The chorus – the opera's real protagonist – was superb. The house's great orchestra flooded the spare lines with warmth – not cosy warmth, but colourful, vibrant. The rhythms were charged with dramatic electricity: Abbado's feeling for the cross-accents, asymmetrical shapes, and rawly pulsating energies of the idiom allows no ponderousness.

The desire to communicate the burning directness of vision that underlies the awkward surface was paramount, and swept all before it. The production, by Alfred Kirchner in Erich Wonder's ugly, cluttered, bizarre sets (full of incomprehensible 20th-century heavy-industrial imagery jarring with the period costumes and the generally conventional production attitudes), may have been of the line-them-up-by-number persuasion, but this was a rare modern instance of the drama being created by the orchestra and the singers – and so comprehensively created as to immediately to obliterate every passing visual irritation or puzzlement from consciousness.

All the leading singers came either from the Soviet Union or (in the case of Nicolai Ghiaurov's Ivan Khovansky) from the Soviet bloc. In dreams one might draw up a finer cast (with, say, Shalyapin as Dosifey); but surely not in reality, or in the modern opera house. The words meant something of first-hand significance to the entire Vienna cast; even in the opera's thorniest patch, the three-way argument between Golitsyn, Khovansky, and Dosifey, the trenchancy, variousness, and communicative urgency of delivery held us all spellbound.

The principals were all opera-performers on a grand scale. Vladimir Atlantov, the Bolshoy dramatic tenor (and Covent Garden Otello), sang Andrey Khovansky as though no-one had told him it is one of the thankless tenor roles. Similarly, Yury Marusin (known here as the Kirov's Hermann and Lensky) tore into Golitsyn with an animation of gesture and voice larger than life and hugely compelling. Ghiaurov has not been so vivid for years. A Russian bass-baritone new to me, Anatoly Kocherga, tall, large-limbed and insinuating, infused Shaklovity's monologue with passionate conviction. And Paata Burchuladze, though not always smooth in meditative passages or exactly in tune (this is obviously his Achilles heel), was a magnetic Dosifey, muscular in build and voice, bull-like in authority.

As Martha the seer, the opera's greatest role, the young Russian mezzo Ludmila Shemchuk revealed a wonderful legato richness of voice, each phrase truly weighted and steadily shaped. Martha has been called an Ulrica, Cassandra, and Donna Elvira in one; she is the opera's centre-point. Miss Shemchuk lacked the tremendous intensity of presence implied by the description, but her lustre of voice and dignity of demeanour were considerable compensation.

Nicolai Ghiaurov as Khovansky

*

This was the peak of a Viennese operatic weekend which otherwise offered rather fewer rewards than hoped for. The revival of Gluck's *Iphigénie en Aulide*, in the 1987 production led by Charles Mackerras, its original conductor, was cancelled – at the last moment and without explanation ("Krankheit" was the guess one usher hazarded to me, though whose illness he was unable to say). Sir Charles was the conductor, very impressive in the circumstances, of the *Traviata* hurriedly substituted – with Ileana Cotrubas (a still mettlesome, no longer very moving Violetta) and Alberto Cupido (an Italian tenor of approximate technique and stage presence who seems to be moving irredeemably beyond the "promising" stage).

As a makeshift revival it was probably no worse than many on this stage, where the repertory operas go on seven days a week, and where singers arrive at the last minute and with minimal preparation. The previous evening I had ventured (by tram! what bliss Vienna remains for tram-lovers!) into the outerlying city districts to get *Der Freischütz* at the Volksoper, that unprepossessing yet endearing home of popular opera in a sense still not entirely duplicated here.

The performance, apart from Kurt Rydl's loud but commanding Kaspar and moments in Rebecca Blankenship's Agathe, was no more than "house routine" – never falling apart, never inside the marvellous score. And yet the Saturday night audience, full of children and their foot-tapping parents, all determined to extract every ounce of enjoyment from a work long loved, created an atmosphere unrepeatable elsewhere.

"Tradition as *Schlamperei*," as Mahler defined it, is still alive and well in Vienna. Yet *Schlamperei* of this kind has its own special charm.

Max Loppert

Schoeck's Venus

CITY THEATRE, HEIDELBERG

Anyone familiar with the Lieder of the Swiss composer, Othmar Schoeck, would not be surprised to find his operas equally cultivated and grateful to the voice. But whereas the Lieder have always had a ready hearing in recital, the operas remain largely unknown. Perhaps it is Schoeck's aesthetic high-mindedness that robs his stage works of broad appeal – or perhaps it is the fault of the uneven librettos by Schoeck's friend, Armin Rueger.

It is certainly not a question of length or the size of forces required. *Vom Fischer und syner Fru* has a cast of only three and comes vividly to life even in concert. *Penthesilea* is a minor masterpiece in one act. *Venus*, which has just had its first German staging at the Heidelberg City Theatre, lasts a compact 90 minutes and is within the grasp of any company with a good lyric tenor and a capable orchestra.

Each of the recent Schoeck stagings – ranging from *Don Ranudo* in Lucerne in 1982 to *Massimilla Doni* in Zurich two years ago – has stressed the strong musical values of Schoeck's operatic writing and this stimulating, if imperfect, Heidelberg production gives the composer's cause another welcome boost. Perhaps the times has come for an enterprising festival outside German-speaking Europe to give Schoeck a try.

Venus, a lyric opera in three acts, was first performed in Zurich in 1922 and thus predates Schoeck's string of successes in Germany. In fact, it was the last of his stage works to be premièred in Switzerland and until Heidelberg took it up (thanks to the Swiss conductor, Mario Venzago, who is music director there), the opera had only had two other outings, in Berne in 1944 and Zurich in 1956, the year before Schoeck died.

Based on a novel by Prosper Merimée, *Venus* describes the wedding day of an ageing roué called Horace, who destroys himself and his marriage through a fixation with the female ideal represented by the classical goddess. We see Venus first as a statue – given as a wedding present – the unveiling of which in front of the shocked wedding guests provides the centre point of Act I. In the second act, Venus comes to life as an elusive figure of Horace's imagination, dancing and beckoning her way through the wedding festivities, driving him to distraction and his bride, Simone, to misery. By the final curtain, Horace has come to identify so closely with this beautiful, silent and unattainable incarnation of womanhood that he expires at her feet, turning to stone in front of the statue.

The main weakness of the opera is that there is only one full-blooded character and the scene-painting of the opening act is trivial. There is considerable compensation, however, in the gentle lyrical flow of the music, which reveals Schoeck in his most consummate late-Romantic style, free of the astringent harmonies that were to pervade *Penthesilea* a few years later. The score is peppered with the kind of elegant string cantilenas, elevated solo vocal lines and declamatory choral ensembles that were a Richard Strauss speciality.

Unlike Strauss, however, Schoeck never wasted a note. The second act is the most beautiful extended piece of music by Schoeck that I have heard – a symphonic suite with song, ranging from urgent neo-classical dance rhythms to arabesques and impressionist tapestries of sound. Schoeck's handling of the orchestra as a chamber group, passing each successive phrase to a different instrument or section, is quite masterful.

The Heidelberg theatre, an attractive and acoustically-perfect little building tucked into a corner of the old town, lends an intimate atmosphere to Schoeck's grandiloquent scenes. Christian Hechler's production, set in a vestibule-cum-library of the 1920s, was convention-bound and made little effort to probe beneath the surface. Its main appeal lay in Vladyslav Bobrovski's choreography of the second act dances, particularly those of Irina Sentiabova, as the imagined beauty. Here – and in the orchestra's finely-controlled and sustained performance under Venzago – the production matched the unbridled inspiration of the music.

The long soliloquies of Horace demand a strong stage presence and the voice of a Tamino. Frieder Lang provided the latter but his acting was limp – what a pity Peter Schreier was never persuaded to sing this role! The soprano, Elke Andiel, made the most of the unfortunate Simone, while the young baritone, Johannes Christoph Happel, proved a real find in the role of Raimond, the stern voice of morality who tries unsuccessfully to bring Horace to his senses.

Andrew Clark

Brodsky Quartet

QUEEN ELIZABETH HALL

The Brodsky Quartet's chronological progress through the 15 Shostakovich string quartets reached its penultimate programme on Wednesday. This contained the 10th, 11th, and 12th quartets – all three written in the penultimate decade of the composer's life, all three profound works at once darkly shadowed and musically rich, different in formal shapes but similar in substance and thought processes.

For anyone who has long loved and admired the complete cycle, the fact that the Brodsky could attract a more than decent-sized and obviously attentive audience to this instalment thereof was uniquely satisfying. The four players are obviously deep inside the music, imbued with its anguished beauties, alive to the formal strengths and tightly-knit unities of each component quartet. They are also very fine chamber-music players (which is something that cannot be said with equal confidence about other quartets of similar age and experience).

The Brodsky "group sound" has its own character, light, athletic, never artificially plumped up or extraneously enriched, which accords well with the Shostakovian ideal. The sense was strong throughout all three performances of an intimate exchange of ideas and responses being expressed within the format of a closely-meshed ensemble.

These four players really listen to each other, and respond to nuances and shades of inflexion. The 12th is a work on a grand scale in which the basic tonality is subjected to the most insidious disruptions before being finally and heroically reassembled and reaffirmed; here, the slithers of chromatic part-writing in the second movement, at the peak-point of the disruptive process, were thrown from part to part with just the right sort of mercurial disquiet. Likewise, at the start of the same movement the nervous trills and stuttering semiquavers conjured up the meaning and the colour of the argument with great intelligence and sensitivity.

But these three quartets are, of course, works to be lived with long and delved into deeply. In general, I feel at the moment that the Brodsky are less alive than they could (or will) be to the full import of Shostakovich's terrifying irony. The wonderfully shapely 10th needed a sharper flick to the rhythmic patterns of the *Allegretto furioso*; the 11th, a "suite" which most clearly looks forward to the evanescent moods of the final three quartets, could also do with harder kicks of accent, more biting delineation of glissando, in its Scherzo.

No doubt these intensified kinds of focus will come with time and "playing-in." In the main matters of style, sympathy, and control of form, the Brodsky's command of the Shostakovich quartets is already very impressive.

Max Loppert

Strauss and Mozart

FESTIVAL HALL

For the BBC Symphony Orchestra the present series of Strauss and Mozart concerts is as stern a test of their form in the eyes of the public as anything they did in the Boulez years. These are by no means easy composers to play and the average member of the public is more likely to spot lax ensemble or poor intonation in a Mozart symphony than in the music of Berg or Messiaen.

In this second concert of the series Pritchard led the players through thoroughly workman-like performances of some awkward scores. Ideally one would like a deeper tone from the strings in music like Strauss's *Metamorphosen*; and it was the slow movement of Mozart's Symphony No 40 that ironically uncovered the most lapses in the violins' expertise. But everywhere there was evidence that the players were being encouraged to give their best.

The two main works of the evening both profited from the mellow Strauss sound which Pritchard has cultivated from them, though in each case that alone was not necessarily enough. The symphonic fantasy from *Die Frau ohne Schatten* is a gaudy pot-pourri from an already over-coloured score, which needs a certain dynamic flair to sweep the whole concoction along – something more (or is it less?) than Pritchard's understated warmth.

In the case of the *Four Last Songs*, which we had heard earlier, there was simply too much orchestra. The soprano Maria Ewing is a small voice to hear against the full Straussian orchestral apparatus and (despite her success in the Royal Opera's *Salome*) she was often lost here. What should have been a cushion of sound offering her vocal support ended by smothering her instead.

In any case, whether Miss Ewing is the right voice for these songs I rather doubt. Where this artist likes to seize an audience's imagination with singing of extreme individuality, Strauss ties her hands with his demand for a simple, effortless flow of soprano tone. Hard work has brought her closer to the right style than one would have thought possible, but real Strauss sopranos like Della Casa or Janowitz remain a class apart.

Richard Fairman

Lyric For A Tango

NUFFIELD THEATRE, SOUTHAMPTON

Esther Vilar is an Argentinian writer who was once, it is claimed in the programme, the youngest doctor in South America. Her eight plays have been performed throughout Europe, though *Lyric For A Tango*, translated by Tudor Gates, is the first of them to reach the English stage.

Surprisingly perhaps, and in spite of the exotic setting, the piece turns out to be an entirely conventional thriller for the two bereaved women of the murdered Carlos. One is his wife, Eve, the fourth-generation scion of a wealthy Anglo-Argentinian family, the other his sultry young mistress, Adriana, a sexually provocative Latin actress who was Carlos's junior by 30 years.

The encounter is set in a primitive weekend house in the Tigre delta of the Parana River, a couple of hours from Buenos Aires. Trevor Coe's fastidious and atmospheric design surrounds the raised platform stage with rushes and jungle silhouettes, the noises of a night-time broken only by the glaring lights of the occasional boat. The local gas man cometh, for instance, but being a hot-blooded offstage dago, rather hopeth that Adriana will cometh too.

Eve has arrived to discuss the will, which favours the lover. The squabble over rights of possession develops into a post-mortem and feminist cat fight. A confession is extorted when Adriana binds Eve to a chair, rips off her skirt and exposes her adversary's white flesh to the night insects.

In Act Two, covered in blotches and bites, Eve tries to salvage the situation with conciliatory offers of friendship, but Adriana is bent on a course of revenge and destruction. There is a knife, and a twist, but you suddenly realise you have been watching routine territorial thriller dross tarted up with a little girl chat about sexual desires and dependency.

Undercooked, I'd say, like the filthy duck dish served up in the theatre restaurant before the show. Having been stuck by the management at the back of the auditorium, I moved to the very front row for the second act of Roger Smith's production and could better appreciate the scrupulousness of the playing by Philippa Urquhart and Irina Brook. Miss Urquhart maintains a good line in Somerset Maugham-ish brittle colonial decorum, while Miss Brook, long hair and black satin swishing, pouts and postures with insidious allure.

But, as opposed to the river shack itself, the occasion never really ignites, partly because of the weakness of the play, partly because there is something reined in and over-polite about the acting. Still, the Nuffield is running a deficit of £150,000, and new artistic director Patrick Sandford has got to consolidate. Wednesday night's audience of elderly bums on seats was full and appreciative.

Michael Coveney

Philippa Urquhart and Irina Brook

Bonnie Tyler at the Dominion

"We've been on the road since last June" croaked the mass of curls, "We've just played five weeks in Russia." No more excuses were needed: Bonnie Tyler, making a rare London appearance, was very much the singer going through the motions, with a new single and album to support.

On record she can sound like the epitome of West Coast glitz: on stage she was like an old variety artiste relegated to playing the Number Two's. Her mirthless laugh and tough Welsh voice, and a less than glamorous costume, brought her closer in image to a bar room entertainer than to a global star. But then Bonnie Tyler has always been difficult to place: early success with "Heartache," was followed by a chase for the American dream, and a career that has fallen somewhere between rock and Las Vegas.

The voice is extraordinary, a kind of feminine Rod Stewart, but while the studio gives it resonance it sounded dangerously throaty live. It was a mistake to start with "Ravishing," a bravura tour de force on the album, but here very weedy. By the end equally outrageous numbers, like "Holding on for a hero" were put over with much more vim.

Indeed after "Total eclipse of the heart" the whole act picked up steam and the audience responded by crowding the stage and giving a genuine welcome back the quixotic performer, who at one stage looked like developing a Dorothy Squires type mystique but who could still turn out to be the Tom Jones for the boy-o's.

Antony Thorncroft

New music awards announced

The theatrical world has its Olivier awards; the screen its BAFTAs; the book its Whitbreads and Bookers, but until now there has been no annual prizegiving for musicians.

But on October 15th at the Queen Elizabeth Hall all this changes with the distribution of the Royal Philharmonic Society Charles Heidsieck Music Awards. Both the 176 year old music society and the champagne house had been devising their own programmes but they have happily merged their ambitions into one concept, helped by the £100,000 that Charles Heidsieck, part of the Remy Martin group, is contributing in administration and promotional costs.

There are no cash prizes. Instead 12 categories of music making, judged by experts and by the public to be the best of their kind in the UK in the preceding season, will be rewarded with acclaim and prestige. The categories include awards for the best large and small scale compositions; for large and small ensemble playing; for conductor, singer and instrumentalist; for opera; for a concert series; a debut; radio, TV and video work; and for writing about music.

In addition Charles Heidsieck will give two prizes – for a pianist and for a musician who has contributed to Franco-British music. A.T.

ARTS GUIDE

Continued from Page 13

EXHIBITIONS

London

The Royal Academy. Italian Art in the 20th century: after German and British, the third in the Academy's sequence of major national surveys. This is a thorough study of the earlier phases, clearly setting out the several developments of Futurism, Metaphysical Painting, Realism and Abstraction, but is rather more cursory in bringing the story up to date. Daily until April 9, except Good Friday.

Paris

Grand Palais. Paul Gauguin. Coming after Washington and Chicago, 250 works from all over the world form an important retrospective of the legendary *peintre maudit*, influenced at first by the Impressionist Pissarro and later by Degas and Cezanne. The powerful personality of the self-taught artist rapidly asserts itself. January 14 until April 24, closed Tue; late closing night Wed (42 96 58 30).

Le Louvre des Antiquaires. A show of wallpaper from 1720 to 1930. The exhibition displays 300 samples of this minor decorative art and shows how its development followed, and underlined, the changes of fashion. 2 Place du Palais Royal (42 97 27 10). Closed Mon, ends April 2.

Brussels

Musée Bellevue. Les Flacons de la Seduction. The art of perfumery in the 18th century. 7 Place des Palais. Ends Feb 19.

Palais Des Beaux-Arts. 34th Belgian Antiques fair organised by 48 Belgian collectors and dealers. This year's theme is "the unexpected" – *l'objet imprévu*. Ends February 12. 513 4831.

Rotterdam

Boymans-Van Beuningen Museum. Twin exhibitions on Rembrandt and his school comprising a lavish 200 drawings and 30 paintings, all from the museum's own collection. Ends March 5.

Munich

Retrospective of Paul Delvaux. This exhibition with 88 pieces from all periods is the first big presentation of Delveaux's works in Germany. The 91 year old Belgian painter first became famous for his surrealist work in the 1930s, influenced by De Chiricos and Magritte. The main subject of his paintings are naked women in classical settings and landscapes from his homeland. Kunsthalle der Hypo Kulturstiftung. Ends March 19.

Cologne

Kaethe Kollwitz (1867-1945). 120 early works by the German graphic artist Kaethe Kollwitz, from the Dresden copper engraving cabinet collection, are exhibited for the first time outside Dresden. Kaethe Kollwitz's life and art were a constant protest against poverty and oppression, as is powerfully expressed in the work. Kaethe Kollwitz Museum, Neumarkt 18-24. Ends March 29.

Vienna

Kunsthistoriches Museum. Prague 1600 – A marvellous exhibition looking at the court of Rudolf 11, the great patron, not only of the arts but also the sciences. He kept Johannes Kepler, the astronomer from near starvation, and made Prague a centre of learning and culture. Ends Feb 26.

Rome

Villa Farnesina, Via della Lungara 230. Over 100 fierce lithographs by the French artist Honoré Daumier, most of which originally appeared in the Parisian satirical paper Charivari. Unable to attack his monarch Louis Philippe directly during the years 1830 to 1848, Daumier lashed out viciously at other monarchs, mostly European, but with a particularly vicious series directed at the Emperor Soulouque of Haiti, for their racist attitudes. Until Feb 28.

Turin

Castello di Rivoli. Alberto Giacometti (1901-1966). A retrospective of the Swiss artist's major works, in large part those shown in the French pavilion at the 1962 Venice Biennale (when Giacometti won the sculpture prize). Until Feb 26.

New York

Museum of Modern Art. In advance of its arrival at London's Hayward Gallery in November, the first retrospective of the work of Andy Warhol since 1970 surveys all his work from the 1950s, covering the Campbell's Soup cans, silkscreens on canvas of Elvis, Jackie Kennedy, Marilyn Monroe and other movie stars, disaster paintings and numerous self-portraits. Ends May 2.

Washington

National Gallery of Art. Cézanne: the Early Years. Already seen at London's Royal Academy of Art and the Musée d'Orsay in Paris, the exhibition comprises 65 oils and 35 drawings showing Cézanne's proto-impressionist techniques from 1859 to 1872. Ends April 30.

Chicago

Art Institute. Dante Gabriel Rossetti, J.E. Millais, Edward Burne-Jones and Simeon Solomon take centre stage for this British drawings show, called "From the Ridiculous to the Sublime," which covers a century from Thomas Rowlandson's satires through Turner and Lear to the pre-Raphaelites. Ends March.

Tokyo

Striped House Museum. Exhibition of paintings by Kiyoshi Koizumi, third son of the late 19th century writer, Lafcadio Hearn, who became a naturalised Japanese citizen. Koizumi's life and work were inevitably torn between eastern and western influences, although his best paintings were influenced mainly by Fauvism.

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telex: 8954871 Fax: 01-236 9764/5 Telephone: 01-248 8000
Friday February 3 1989

Baton change in South Africa

THERE HAVE been times in the 11 years that he has run South Africa that Mr P.W. Botha, nothing if not an autocrat, has seemed the man to lead his country out of a morass of its own making. At others, he has appeared most intent on ensuring that it stayed in the mire. These contradictions remain unresolved as, in effect, he steps aside. He may remain as President for a while longer, but the passing of the National Party baton on Wednesday night to Mr F.W. de Klerk surely marks the beginning of the end of an era.

Abraham Lincoln, a man of principle, used to deride those who opposed him as being "practical." Above all, P.W. Botha was a practical man. The good things he did as leader – the dismantling of much petty apartheid, the willingness to tolerate a painful split in political Afrikanerdom in pursuit of modest reform and the sanctioning of the deal in Namibia – reflected a coming to terms with realities and, simultaneously, an abandonment of the Verwoerdian dream of an eternally white-dominated South Africa.

These realities were obvious, though not to all South Africans. They included the need to bring blacks into mainstream economic activity, because there were not enough skilled whites to go around; the grief brought to an economy denied full access to the international market place because of the nature of its regime; the imperative of making at least some concessions to the legitimate political interests of non-whites (albeit in a framework saleable to most of his white countrymen); and the insupportable cost of waging an undeclared war in Angola.

But at no stage did Mr Botha translate his approach of "adapt or die" into a vision, let alone a working model, for a South Africa of the future. His package of reforms in 1984 looked threadbare and were largely discarded two years later as the black townships erupted in violence. At no stage could he bring himself to engage black leaders of substance – including Mr Nelson Mandela – in open-ended negotiations. The contention that the black homelands constituted a viable alternative remains, as it always was, a fiction, now one riddled with corruption. His unwillingness to confront a resurgent white far-right itself denoted his own ambivalence.

Circumstances, not all within Mr Botha's control, have changed a bit for the better of late. The conservative movement has shot itself in the foot; the retreat of the Soviet Union and its surrogates from South Africa's borders should relieve external pressure, as well as one of the justifications for internal repression.

It will be up to Mr de Klerk and his party to take it further in pursuit of realistic, democratic political solutions. The African National Congress ought to start thinking publicly about the non-military options open to it, while the West can continue to apply the sanctions of the market place as a condition for progress. But at least a window of opportunity can be said to exist.

British Coal under pressure

THE Monopolies Commission report on British Coal last week draws attention to the need for the Thatcher Government to do some hard thinking about the implications of privatisation for the future of the industry.

Most of the report concentrates on the details of British Coal's efforts to become more efficient and "to turn an institution into a business." The Commission was generally impressed by the improvements in British Coal's productivity and investment appraisals.

In ordinary circumstances, such progress would be a satisfactory basis for further steady development. But, as the commission notes, circumstances are far from ordinary. British Coal faces the break-up of its major customer, the electricity industry, and the probability of subsequently being broken up for privatisation itself.

The Government has proclaimed that privatised electricity companies should be allowed to buy coal from the cheapest source, thus posing a major challenge to British Coal, which had become grossly inefficient as a protected state monopoly. Now that the corporation is reforming itself, what protection (if any) is justified, and for how long, before it has to face the full rigours of world market competition?

In the long term, Britain should develop its coal resources as efficiently as possible. It makes sense, therefore, to preserve pits that can make a contribution to the future, even though they might not now compete with the cheapest coal on world spot markets.

These decisions should eventually be left to market forces, preferably involving competition among privately owned coal companies in the UK. Within the next few months, however, British Coal and the electricity industry must agree a new series of coal contracts that might last until well after electricity is privatised. The Government cannot avoid responsibility for these contracts, because a coal agreement will be of crucial importance to the contracts still to be arranged between the two sides of a private electricity industry – generators and distributors.

Having proclaimed that selling British Coal will be "the ultimate privatisation," Mr Cecil Parkinson, the Energy Secretary, may be tempted to give it the comfortable endowment of a 10-year contract, as British Coal suggested to the Monopolies Commission. Indeed the Government may argue that the contracts should be long enough and generous enough to give British Coal, and the electricity industry, a period of stability until the new system settles down.

It should be recalled, however, that most of the industry's cash as well as that for the two electricity sectors, will flow from a single source – the electricity consumer. All three of them cannot hope to get fat from the one trough, except at crippling expense to consumers. Furthermore, by reversing the pledge on cheap imports, the Government would risk losing one of the principal benefits of electricity privatisation.

Continued pressure must be imposed on British Coal to modernise. If it needs to be fattened up for sale, a financial reconstruction is preferable to an inflated coal price. It is important also that the form of the coal contracts does not pre-empt the option of splitting the coal industry up for sale. The Government should have thought out the form of coal privatisation and its relation to the privatisation and break-up of electricity earlier. It must do so now, before it is too late.

Minorco cleared

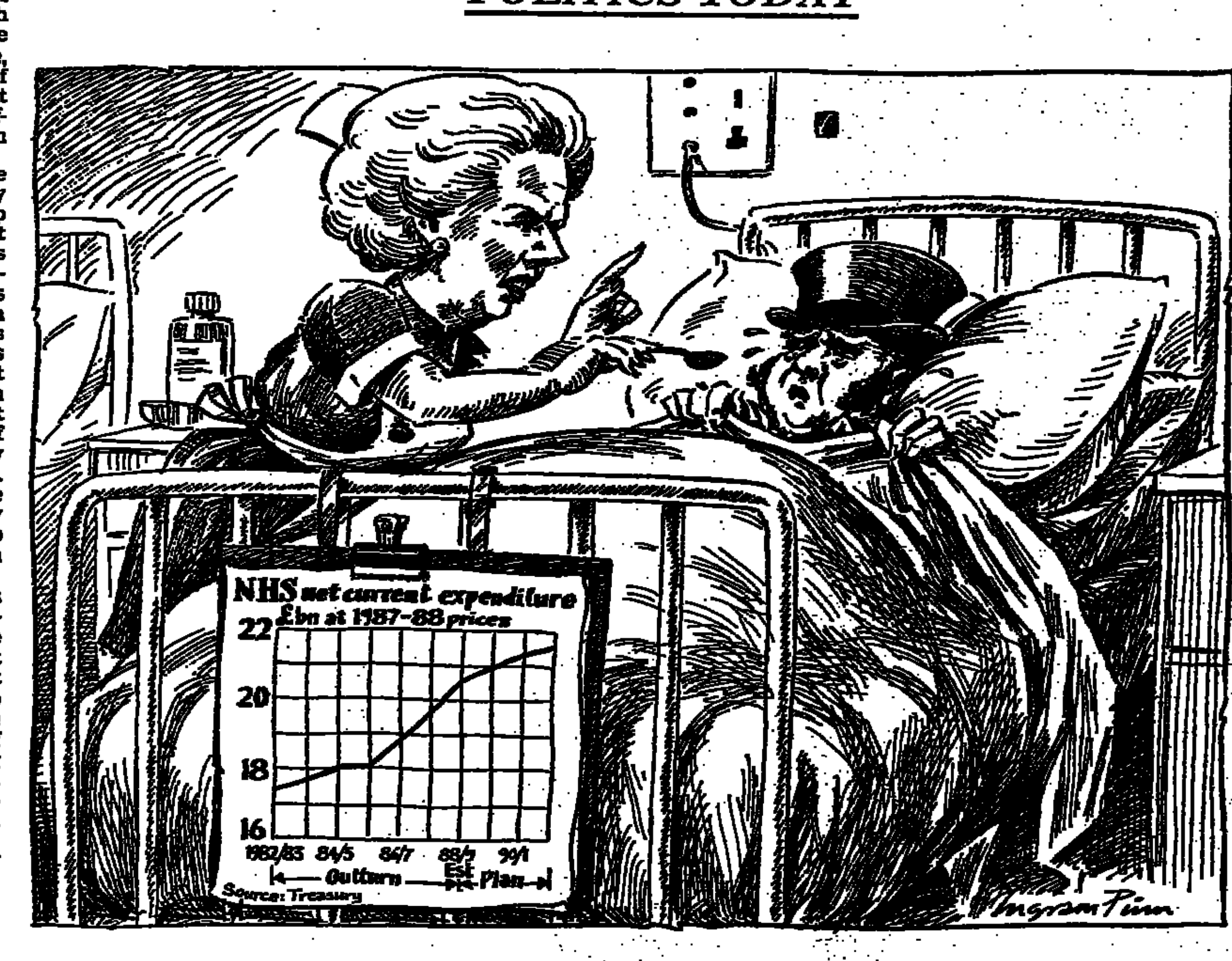
THE Monopolies Commission's report on Minorco's bid for Consolidated Gold Fields deals firmly and sensibly with the extraneous arguments which had been raised against the merger and concentrates on competition. This is what a commission merger inquiry ought to be about. Whether it was right to refer the bid in the first place is doubtful; the decision looked suspiciously like an escape from political embarrassment. But the commission responded robustly.

It was not persuaded, for example, that Minorco's South African connections, which could lead to discrimination against the company in Europe or the US, raised significant public interest issues. The risk of such discrimination was "primarily for Minorco to consider in making the offer and for Gold Fields' shareholders in evaluating it." Similarly, the fact that Minorco and its principal shareholder Anglo American seemed immune to the risk of takeover was not in itself a cause for concern. If Anglo American were to tolerate poor performance by Minorco, "the loss would be that of Minorco shareholders, including the Anglo American group itself, but not necessarily a matter affecting the UK public interest."

The commission could not see that the bid raised strategic issues for the country or threatened the UK's technological expertise. Above all, it was satisfied that competition would not be seriously reduced.

The Government appeared to be deviating from the path of sensible mergers policy in making the reference; fortunately, the commission has put it back on the right track.

POLITICS TODAY



Thatcher's great health gamble

By Joe Rogaly

Mrs Margaret Thatcher's proposed reform of Britain's National Health Service is a gamble. She was jostled into it by circumstance, yet this week's calculated throw of the dice demonstrates once again that the Government she heads is still suffused with self-confidence. It can afford to be.

The story starts shortly after the June 1987 general election. The badly defeated Labour Party picked itself up – well, sort of – and chose what it called "underfunding" of the NHS as the focus of its attack on her triumphant third-term administration. This is always a good one. Ask Mr Enoch Powell, who was a most perspicacious Tory Minister of Health. He told us over a quarter of a century ago that the structure of the service is such that its practitioners have a direct interest in maintaining a chorus of protest about how awful it is, how cash-starved, how cruel to patients. The reason is that it is free at the point of use, but rationed, overall, by the Treasury. The mechanism is so designed that it draws in extra cash when politicians are harassed.

Labour's winter 1987-88 health offensive was therefore a sensible parliamentary tactic. Every week the Prime Minister faced questions about this patient denied treatment, or that ward closed, or those nurses unable to perform their duties of care. She answered, every time, with a recital of cold statistics. Spending was rising sharply, in real terms. More patients were being treated. There were more operations performed. None of this numerical oratory seemed to work. Worse still, the then Secretary of State for Health and Social Services, Mr John Moore, caught pneumonia and spent five weeks away. He came back with a weak voice and a wounded political reputation. In No 10 Downing Street the magic words were spoken: Something Must Be Done.

Something was. The Prime Minister announced that she would chair a committee to review the health service. This would be a root-and-branch inquiry. She had not planned any such announcement. In the great Thatcherite scheme of things the NHS was not to be tackled until the fourth term. But since the Labour leader, Mr Neil Kinnock, had made such a fuss, she would undertake the task now.

The news was welcomed by the free-market ideologues of the right. The last untouched monument to the postwar welfare state would get its come-uppance. The Adam Smith Institute and the Institute of Economic Affairs both published papers that showed the way to a substantial growth in private health insurance. Similar views were reflected by at least one adviser inside Downing Street.

Mr Moore himself was quite clear about the initial goal for the private sector. Britain spends just under 6 per cent of gross national product on publicly financed health care, and very little more on health services overall. In Western Europe the comparable figure is often two or three percentage points higher. Mr Moore saw the NHS review as a means of enabling the private sector to grow rapidly enough to make up the difference, as it does in France, West Germany, the Netherlands, and elsewhere.

Then a funny thing happened. The right-wing bubble burst. Mrs Thatcher may not think much of the NHS, but she does understand opinion polls. Year after year they show that the British public likes and wants to keep a tax-funded service free at the point of use. Last summer Mr Moore was, as a senior member of the Cabinet put it this week, "unhorsed." His department was divided in two, and Mr Moore was left with the hind legs – social security. His successor as Health Secretary, Mr Kenneth Clarke, believes in the NHS; he uses it himself. He was relieved to be told that what he regards as the dafter new-right ideas had with one important exception been talked out of Mrs Thatcher's review committee.

That exception is to be found in Tuesday's white paper, which was presented by Mr Clarke but has a foreword by its principal begetter, Mrs Thatcher. There you will find a proposal to allow tax relief for people who buy private medical insurance for the elderly. That seems daft enough, but an Adam Smith report had expressed the hope that it would become a precedent, leading to relief for all private health insurance. The conventional wisdom today is that the Treasury reluctantly accepted the principle for old people because so few of them are insured. If younger folk were to be allowed relief then the millions who are already insured would pay less tax. This growing "deadweight" is said to be a guarantee that there will be no extension.

Everyone in the Government shuffles with embarrassment when you ask why the relief for the aged is there; all believe, but fear to say, that it was Mrs Thatcher herself who insisted on it. This may reflect her private convictions, or a feeling that her own right wing had to be offered something.

In fact all the free-market think tanks can point to bits and pieces of their own publications and say that they are reflected in the white paper. The one that has had the most influence is the Centre for Policy Studies, whose young, energetic director, Mr David Willetts, has been in a state of flushed excitement this week. He has kept closely in touch with both the Government and a selection of doctors and health service managers whose common characteristic is that they believe that the NHS could be revolutionised by what has been proposed. There is little talk among them, or at the Department of Health, or in Downing Street of running down the public service and putting private insurance in its place.

It is a fair bet that Labour, on its form so far, will make a bosh of its attack on the white paper proposals.

The feeling is, rather, that the Government has demonstrated that it intends to improve the NHS and to make it more efficient and responsive to consumers. It will almost certainly increase the budget for health further next year and in the run-up to the next election.

Perhaps this is why most ministers now believe that Labour has once again wrong-footed itself. A week ago its spokesman on health, Mr Robin Cook, was cock-a-hoop. The proposals in Tuesday's white paper had come into his hands unofficially, and prematurely. He broadcast them, which was fair enough, but he made the mistake of attacking the wrong targets. He talked of privatisation, and the establishment of a two-tier health service. At the weekend there was some depression among health ministers. Would their planned publicity campaign, costing £1m, fail? In the event Mr Clarke has performed very well this week, winning at least a hearing from many professionals in the service. People are talking less of privatisation and a two-tier service and rather more about whether the proposed new quasi-independent NHS hospital trusts will work, or whether many general practices will choose self-management of their own budgets.

The exercise is still, however, a gamble. The white paper is a broad-brush strategy document, expressing the hope that professionals in the service will appreciate the virtues of delegated budgetary control. Some may, but most will want to see the forthcoming detailed papers before making up their minds. They are likely to be disappointed, for there will be few nuts and bolts in place until the Government has negotiated actual contracts with, say, Guy's Hospital or the first quasi-independent group practice. There are some other potential contractors straining at the leash, but most of the service is still capable of frustrating the Government by a simple continuation of its customary lethargy. If nothing very much happens over the forthcoming year or so the Thatcher/Clarke white paper could come to be written off as another futile NHS re-organisation.

That is one line of possible attack that Labour missed. There are, however, others. The essence of the white paper is that the financing of the NHS is being separated from its provision. Financing remains in public hands, while the possibility of a slow privatisation of at least some of the supply side is opened up. The new health managers may buy and sell services from one another – or from the private sector. To do this they will need modern information systems. The first question is, where will all the managers come from? They cannot all be ex-surgeons. I managed a successful business information publishing company for five years and I can attest that there is no direct correlation between professional experience and managerial ability. A writer may or may not be a good publishing-house manager, but the first skill has nothing to tell us about the second. An ex-doctor may or may not be a good NHS manager. The experience of being a doctor is irrelevant.

Again, as anyone with private-sector experience will know, the accumulation of information creates a demand for more resources. The NHS is cheap because 70 per cent of its costs are wages and salaries, the Treasury keeps medical pay low, and nobody knows anything. When the service has good information in its hands it will become more expensive. It will not only be able to say that this or that number of lives is at stake if more money is not forthcoming, but it will be able to demonstrate, by print-out and on-screen presentation, that it has made all possible savings and that it is sure of both its figures and its arguments. This, too, is a gamble.

Labour might also have argued that the Government has not been able to publish even a broad-brush plan for the elderly. Yet the medical profession knows that this is a key element in any serious health care market. The latest NHS reforms owe much to a report by Sir Roy Griffiths, published in 1983, which led to the introduction of general managers. Last March Sir Roy reported on community care for the elderly. His prescription followed a damning indictment by the Audit Commission (the very commission that will henceforth audit the NHS). Among other things, it would have tackled the hardship caused by the policy of emptying long-stay hospital wards without first ensuring that local communities have the resources to care for the people who have been decanted.

Unfortunately for such people Sir Roy's remedies would involve giving added responsibilities to locally elected councils. The Prime Minister seems unable to read past the words "local authorities" in any document. The indigent elderly are therefore languishing, sometimes in extreme discomfort, while the Government makes up its mind.

Gambles can, however, go both ways. It is a fair bet that Labour, on its form so far, will make a bosh of its attack on the white paper proposals. It is at least evens that enough enthusiasts for the new information-based vision will be found within the NHS – enough, that is, to create a convincing first wave of shining centres of medical excellence, with appointments systems, no waiting lists, and good, cost-effective practice. It is odds-on that such institutions will be able to do beneficial deals with private companies, even to the extent of building a sponsored ward here, or installing a brand-name operating theatre there. The Government has scooped in the chips on many less likely-looking hands. If I were Mr Kinnock or Mr Cook I would hesitate before betting that it will fail to do so on this one.

OBSERVER

Diplomat at the Bank

■ There are several, perhaps ultimately compatible, ways of looking at the appointment of Sir Peter Petrie, the British Ambassador to Belgium, as special adviser to the Governor of the Bank of England on "European issues and developments."

One is that Petrie, who is very bright, had not reached quite the pinnacle of a career in the Foreign Office that he might have expected. He is about to be 57, and Brussels, Belgium – as distinct from Brussels, Nato or Brussels EC – is not a post that suggests that one of the Foreign Office plums is in reach. So he was glad to move on.

Another is that, precisely because he is so bright, the Governor, Robin Leigh-Pemberton, regards him as a useful acquisition. The Bank, said a spokeslady yesterday, was seeking to increase its political expertise and approached the Foreign Office, which came up with Petrie. He has, after all, had experience as Head of Chancery in Bonn, head of the European Integration Department in London, and as Minister in Paris.

A third is that, for all its international grasp, the Bank might just be a bit thin on the West European front. For instance, the new head of its overseas department, Andrew Crockett, spent the last 17 years in Washington with the IMF – excellent experience, no doubt, but not the best eyrie from which to look down on Europe.

And there are plenty of European matters on the agenda, quite apart from 1992 and all that. Leigh-Pemberton is a member of the Delors Committee, which is due to report in April on the next steps to economic and monetary union. The Governor is probably as hostile to the idea of full monetary union as Margaret Thatcher, but it may help to have an ex-diplomat at his side advising him on European reactions.

The Foreign Office, certainly under Sir Geoffrey Howe, is rather keener, but yesterday Petrie stayed quiet on such a sensitive subject. He said that his brief will focus more on "tracking the Community's march towards a single financial market, the City's position relative to Europe's other financial centres, and what's happening on the Continent in areas like stock exchange deregulation, mergers and takeovers."

Petrie is the son of the historian, Sir Charles. One story that will dog him and his French wife, Countess Lydwine, wherever they go concerns their refusal to keep up their garden in Bonn, possibly because the Foreign Office did not supply enough staff. She eventually acquired a couple of sheep and let them look after it.

"I suppose an interview's out of the question, Neil?"

EC watchdog

■ Peter Sutherland is steadily picking up new tasks since his departure as the Irish Commissioner to the European Community. He will practise at the bar in Dublin, has joined Lord Rippon's chambers in London, become a member of the board of GPA, the world's biggest aircraft leasing group, and there will be more to come.

He is not leaving the Community entirely behind, however. Sutherland has been made the first Honorary Distinguished Fellow of the Centre for European Policy Studies, the independent think tank on European affairs which is based in Brussels.

He is doing more than accepting the title. The ex-Commissioner for competition policy will head a working party that will monitor the management and performance of all aspects of the internal market. It will be a matter, he said yesterday, of seeing who is living up to what has been promised and measuring how the internal market is enforced. He speaks as if he means it.

Sutherland also said yesterday that he has become a member of the Action Committee for Europe, associated with the founding fathers and people like Ted Heath. Nothing could be more European than that.

People trends

■ Britain is well on the way to becoming the most populous country in Western Europe. Since so many people seem surprised by that, it is perhaps worth repeating the figures that were published in Social Trends last month.

The population of the UK in 1986 was 56.7m. The figure for France was 55.4m, for Italy 57.2m and for West Germany 61m. By the year 2025 the UK figure is projected to rise to just over 60m. The population of France will rise to just over 58m.

Yet there will be striking falls in Italy and the Federal Republic. The number of people living in Italy is projected to drop to around 50m and in West Germany to 51m.

Looked at over time the British rise is not especially fast and cannot be attributed to (say) the Thatcher boom. In fact, the years of high population growth in Britain were between 1951 and 1971. In that period the figure rose from 50.3m to 55.9m. All that is happening now is the continuation of recent trends.

Thus the remarkable fact is not so much the British rise as the projected Italian and German declines. Figures from the West German census in 1987 show that the population had fallen by more than 1m since 1970.

That came as a bit of a shock. Even more striking is the change in the composition of those living in Germany. The number of foreigners rose by 70 per cent since 1970 to over 4m, or 6.8 per cent of the population. That trend has continued since. Between mid-87 and mid-88, according to official estimates, the number of foreigners rose by another 182,000 and the inflow of people from Eastern Europe is still going on.

I would not read any special significance into the figures, although it is odd that they have aroused so little comment. But they do indicate that the Federal Republic is becoming a great mix and may help to explain the relative success of fringe right-wing parties calling for a "purer Germany."

Touching Scene

■ Graffito in a Sussex slimming club: "Middle-age spread brings people closer together."

Ian Rodger reports on the effects of Japan's political scandals

Reform is on the agenda at last

The resignation last week of a third Japanese minister because of entanglement in the Recruit financing scandal has sharply raised the pressure for fundamental reform of the country's corrupt political system.

Mr Noboru Takeshita, the Prime Minister, clearly shaken by the latest damage to his Cabinet, committed himself in a television interview last week "to make every effort, in a humble manner, to wipe out distrust in politicians." New legislation to curb political fund raising would be introduced in the Diet (Parliament) within the next few weeks, he said, and an advisory panel has been set up to recommend more substantial reform next year, the centenary of the establishment of the Diet.

Most political analysts in Japan will believe it when they see it. Japanese politics have been riddled with graft and corruption for decades. No fewer than nine of the country's 17 post-war prime ministers have been investigated for graft at some point in their careers. Also, the high level of corruption has played a significant part in sustaining what is effectively one-party rule in Japan. The Liberal Democratic Party (which is in fact conservative) has been in power in for more than 30 years.

That system was perhaps acceptable – even efficient – when Japan was struggling to develop into an industrialised country. Now it is increasingly an embarrassment.

Whether this discomfort will translate into reform is another question. The cynical view in Tokyo is that Mr Takeshita's solemn commitment to reform is just an opportunistic attempt to turn the Recruit scandal to his advantage. In his campaign for re-selection by the LDP as party president in October, which means a second two-year term as prime minister, he will argue that he needs the extension to bring about political reform.

However, the Japanese public, which hitherto has been largely indifferent to the shenanigans of the politicians, appears finally to be disenchanted. The popularity of the Takeshita cabinet has plunged in recent weeks, and some analysts suggest that the prime minister may find that he has a tiger by the tail.

"I do not think the politicians have fully taken on board public concern over the Recruit scandal," said Mr Takeo Fukuda, the former prime minister and still very much a power broker, in a speech in Tokyo last week.

The high level of financial corruption in Japanese politics has been well known within the country for a long time. The Lockheed scandal in the mid-1970s, in which Mr Kakuei Tanaka, the former prime minister, was found to have accepted a $2m bribe from the Lockheed Aircraft Company, is still firmly fixed in people's memories. Mr Tanaka was convicted in two courts and still awaits a superior court hearing. While under indictment he retained his seat in parliament and went on to build up, through the use of money, the most potent machine in contemporary Japanese politics, which seemed to suggest that Japan could be suitably outraged and cynically complacent at the same time.

Japanese politicians need an extraordinarily large amount of money to maintain themselves in office. According to a recent study in a Japanese magazine, the average Japanese Dietman spends about half as much again as the average American congressman, and this may be an underestimate.

Large sums are needed because elections in Japan are fought in multi-seat constituencies. This means that any party which wants to form a majority in the Diet must win more than one seat in many constituencies. That, in turn, means that politicians of the same party must fight against each other. And when LDP politicians fight against each other, the money really starts to flow. This flow is aided and abetted by the Japanese people who tend to think of elections as festivals during which politicians should shower them with money and gifts.

There was an attempt at reform in the mid-1970s after the Lockheed scandal but it simply put a limit on the amount of money any single person or company could give to a politician. Many people believe that actually made the situation worse, forcing the politicians to resort to more devious means of raising funds.

The significance of the Recruit case lies in the scale and scope of the corruption indulged in by Mr Hiromasa Ezoe, the ambitious former chairman of the Recruit publishing group. It has gradually emerged that he paid scores of politicians, civil servants and Nippon Telegraph & Telephone officials to advance his own and his group's interests. As Mr Hyousuke Kujiraoka, a senior LDP politician, said in Tokyo last week, "unlike previous scandals, this one seems to touch the whole political system."

That, plus the forced resignations of three Cabinet ministers and a senior business leader, Mr Hisashi Shinto, former chairman of NTT, has shocked leaders in both the private and public sectors into a recognition of the need for reform. A more practical political factor is that the Takeshita administration's popularity plummeted from 41 per cent in October to under 30 per cent in December and has since tumbled to about 18 per cent, according to one poll.

Further tremors can be expected in the next few weeks as the public prosecutor is due to announce indictments against people involved in the known Recruit bribery cases. The establishment Japanese press, conspicuously absent in the initial pursuit of Mr Tanaka in the 1970s, seems now infused with Watergate investigative fervour.

It is still too early to tell how much political reform, if any, will emerge as a result of all this, but there is certainly plenty of activity. Last week the Government set up an advisory panel of distinguished businessmen and academics to promote political reform. An LDP committee on political reform announced that it would propose new legislation in the next few weeks to prohibit politicians from investing their funds in the stock market or real estate and to require disclosure of all donations above Y500,000 ($4,000). It would also be looking into revising the number of seats per constituency over a longer period.

The chairman of the committee, Mr Masaharu Gotoda, is understood to favour the idea of introducing an election system in the Diet's House of Representatives much like that in West Germany's lower house. It would be based mainly on small, single member constituencies, but would also include a number of seats, perhaps 200 out of 500, that would be decided on proportional representation (PR) so that the minority parties would not suffer unfairly.

The implications of a fundamental reform of that kind could be substantial. The existing system has led to the creation of powerful factions, essentially interest groups, within the LDP, with each faction backing its own candidates in elections against those from other factions. In the day-to-day operations of government, things get done through horsetrading between factions. There have been suggestions recently that the strength of the factions is already diminishing because the limits on fund raising introduced in the 1970s have made it more difficult for them to raise money, thus forcing each politician to be more self-reliant. In a single seat system, the need for factions might diminish further, if not disappear, as each LDP candidate would be fighting only opposition politicians.

Noboru Takeshita: promises legislation on fund raising

That, in turn, might cause a more general political realignment, leading perhaps to some alternation of parties in power.

Another advantage of a single seat system is that the Government could justify subsidising a much larger portion of politicians' expenses than it pays now (why should it pay LDP candidates to fight each other?), thus reducing the need for politicians to resort to pressure groups for money.

On the other hand, the proportional representation element in the Gotoda plan could strengthen the faction system. There is already an element of PR in the election system for the House of Councillors, the upper house of the Japanese Diet, and the factions play a significant role in the infighting for prominent places on the LDP's national list.

Hostility to any reform is likely to be as strong as it was in the 1970s when it was last considered, especially from opposition politicians who have tended to look on it as a plot by the LDP to perpetuate itself in power on the cheap. Also, the main opposition parties have tended to lose ground in the PR part of the upper house elections to a proliferation of independent parties each of which gets enough votes to pick up a seat or two. According to one analyst: "The problem is that among the people who have to decide on this change are those who will be most hurt by it."

It is, in any case, far from clear that the voters would be happy about forsaking the favours that politicians lavish on them. Mr Michio Watanabe, an outspoken LDP leader and potential future prime minister, said recently that an essential part of any reform would be educating people not to expect big gifts from politicians at their weddings, funerals and other occasions.

There are, none the less, a few favourable straws in the wind. The fact that Mr Gotoda, a former Chief Cabinet secretary, is heading the reform committee is considered significant. "If anyone is going to do it, he will. He has strong links with all the factions, and good contacts with the opposition parties as well," says one Western diplomat in Tokyo. Also, Komeito, one of the opposition parties, has signalled a change of heart on electoral reform. Mr Junya Yano, head of the party, said recently: "I am not opposing reform. The West German system is a good place to start."

Business leaders too are getting concerned about political corruption. The Japan Association of Corporate Executives (Keizai Doyukai) said in its new year statement that "political reform is the next major task for the Government after tax reform." It called on the Government to consider "the development of political and electoral arrangements that will not require excessive funding."

In a normal democracy, public opinion would have the final word, but public opinion in Japan is usually passive and always very difficult to gauge. Mr Kujiraoka said last week that even though the Government had clearly lost the trust of the people over Recruit, it would probably not suffer much. "The impact of Recruit is to cause people to lose interest. That will hurt the LDP a little, but it will not help the opposition."

LOMBARD

A challenge to the Unionists

By John Lloyd

JOHN HUME is the best politician in Northern Ireland – in the central sense that he can best tune the message and, to an extent, the practice of his Social Democratic and Labour Party (SDLP) to the pitch desired in the power centres which mean most to the province: Dublin, London and Washington. The ear of London (still the most important) used to be the reluctant captive of the Unionists, but that old song is finished.

Writing in the current issue of the London Review of Books, Mr Hume performs the courtesy of informing the British liberal intelligentsia of deductions he and his SDLP colleagues have made from British behaviour over the past five years, and the transformations thus wrought on the political scene.

The core is that in the Anglo-Irish Agreement "Mrs Thatcher has done for the Unionists what John Kennedy and Lyndon Johnson did for the whites of Alabama in the 1960s" (Mr Hume is a great one for the subtle insult). "She has stripped them of ascendancy and privilege . . ."

Still more acutely, John Hume has seen – or heard – behind the screen of British ministerial assurances given to Unionists, to note that "politically the (British) Government's position is that if the Irish people want unity and independence and those who want it persuade, not all, but some of those who don't, thus creating a majority in Northern Ireland, they can have it. What sort of Irishman or republican is it who will not take up that challenge . . ?"

He provides his own answer to that question: the IRA.

John Hume is the most effective anti-IRA advocate in UK politics. He points out that most of the deaths (62 per cent) over the 21 years of the present troubles have been caused by the IRA and other republican groups – *including the largest proportion of the deaths within the Catholic community.*

"All the major grievances today within the nationalist community are direct consequences of the IRA campaign: the presence of troops on our streets, the harassment and searches of young people, widespread house searches, prisons full of young people, lengthening dole queues, checkpoints, emergency legislation. If the campaign were to cease, these grievances would disappear."

The purpose of this is not merely to recognise the IRA as the most effective terrorists of our times. It is to put them on a par with the Unionists as intransigents ("mirror images of each other"), thus leaving the middle ground as the preserve of the SDLP. And from there Mr Hume calls "once again . . . for a conference table. Let the main subject of discussion be clear: how we share this island to our mutual satisfaction."

The final mark of his skill is that he is completely silent as to what the SDLP will put on this conference table. That is necessary in order to preserve his claim for the middle ground: for as soon as he "reveals" that the SDLP is in favour of a united Ireland, he plunges into the dirty water of the "flag waving" politics he has so convincingly condemned.

And yet, by his own logic, the Anglo-Irish Agreement has had precisely the effect of making the nationalist issue clear. It has stripped every veil from the stark truth that two national claims to the same piece of earth confront each other on it and around it. There is not – has never been – a middle in which differences can be split. One side or the other will have to give up its claim – or recognise its practical impossibility.

One of the many failures of Unionism has been that it has never succeeded in producing John Hume's equivalent in public perceptions as a man of reason and moderation: a representative who can rise above the more obvious prejudices of his own community and argue the rational and democratic case for continuing the union in forums beyond that of Belfast television studios and the Ulster Hall.

Such people do exist, but often they have been either discouraged or or driven back into silence and private life. John Hume's persistence, prominence, courage and proximity to success should stimulate a fresh effort.

LETTERS

Job losses in the City

From Mr Noel de Berry.

Sir, 50,000 is one of many projections on the number of jobs to be lost in the City of London between Big Bang (October 27 1986, when fixed commission on stock market deals and single capacity were abolished, and the Stock Exchange went – almost – automatic) and the end of 1989. It is not clear, from the various reports, what this means.

50,000 is an impressive number, round and big. I would suggest balloon-like as well.

Does it represent a real reduction in the number of jobs or merely the number of people made redundant, only to find jobs again shortly? Does it cover the City banking/stockbroking area in and near the Square Mile, or the "City" that takes in the financial sector throughout the UK? Does it include the commercial banks in the same area? Does it include insurance and shipping employees, shopkeepers, building workers, police, telephone engineers, and so on?

What about job creation – both in the same institutions where redundancies have been announced, and in other firms? Are the figures for this included in the projections?

For those of us who are close to the employment situation in the sector, the City also shows a steady flow of new jobs. This is perhaps one reason why there is still a demand for offices despite the abundance of office developments.

The various – and wild – reporting of such pronouncements over the last year has actually given the impression to outsiders, and to some insiders who are not immediately involved, that there is a recession in the City. There is merely an inevitable slimming and shake-out by some firms, following the period of mergers and considerable expansion connected with the Stock Exchange deregulation.

The public at large has a view of the City job situation which is misinformed to the point of being illusory. This state of affairs influences opinions and decisions which contribute to the communication gap between the City and commerce and industry generally.

Noel A. de Berry,
Noel Alexander Associates,
91 Gresham Street, EC2

Trade flow is a political issue

From Mr Harry Shutt.

Sir, Criticism of European Community (EC) trade policy – particularly with regard to the alleged dumping of imports from Japan – culminated in your report (January 24) of a study written by Mr David Henderson of the Organisation for Economic Co-operation and Development (OECD), apparently to the effect that the EC has led the way in undermining the General Agreement on Tariffs and Trade over the last 20 years. The US is chided for following similar policies, but the abiding impression is that Europe is the chief villain.

Any such suggestion would be a serious travesty of the truth. Not that the EC – or any of its member states – is innocent of protectionist or market-distorting practices; but they are no less so than other countries or trading blocs. The interventionist and mercantilist practices of Japan, South Korea and other newly industrialised countries (as well as all other OECD members) have been too well documented to doubt this.

Mr Henderson is surely correct in believing that the Uruguay Round will not succeed in bringing about multilateral "trade disarmament." Where he deludes himself is in supposing that such conditions could ever be created in a world where the full employment of all factors of production is simply not a foreseeable reality (if it ever was).

Given this limitation, the distribution across the globe of productive activity – and hence of income and wealth – is bound to be a political issue of the first importance. No government can seriously be expected to leave resolution of this to the "free market" even if it could be certain that all other countries would too.

Seen thus, the recent debate in your columns about the validity of EC anti-dumping procedures appears largely academic. For when the decision has been taken, rightly or wrongly, to protect a particular industry, some way will surely be found to do it, be it via anti-dumping duties, subsidies, government procurement policies or whatever. Until the inevitability of this basic mercantilist commitment is recognised, we stand no chance of devising a rational and stable trading system.

Harry Shutt,
The Grange, Hillside,
Horsham, West Sussex

How open is an 'open' market?

From Mr Dean Spinanger.

Sir, Mr Horst Krenzler, director general for external relations at the European Commission (Letters, January 19), rejects the idea "that the EC's (anti-dumping) methodology does not make economic sense" and that the EC is building a "Fortress Europe with ramparts facing Asia."

The recent spate of anti-dumping investigations concerned with Hong Kong makes Mr Krenzler's protestations of innocence ring strangely hollow. Let us recall ex-Commissioner de Clercq's comments in an article in the Financial Times on November 21 1988:

". . . Dumping is made possible only by market isolation in the exporting country, due primarily to such factors as high tariffs or non-tariff barriers and anti-competitive behaviour."

Mr Krenzler echoes this definition almost word for word.

It is difficult to imagine an economy less isolated by trade barriers than Hong Kong. There are no tariffs; no non-tariff barriers; and the idea of anti-competitive behaviour in tradeable goods in Hong Kong would be as welcome as free trade in Japanese cars in Italy or France. Of course it is possible, using the EC's regulations, to "prove" that products from Hong Kong have been dumped in Europe. But do such calculations make economic sense, given ex-Commissioner de Clercq's statement that dumping is made possible only by market isolation?

More importantly, the European Community seems to be making a severe tactical mistake in "proving" that Hong Kong is dumping. Thus: the Commission is forever exhorting other east Asian countries to open their markets; if these countries see an open economy like Hong Kong's being targeted for anti-dumping investigations, what incentive is there for them to change their trading regimes? They will lose the advantages perceived in respect of their protectionism without gaining anything in return.

It is discomforting to see how far EC officials will go to "prove" that the open economy of Hong Kong is guilty of dumping. Surely the EC should be treating Hong Kong as an example of the benefits of free trade rather than resorting to what looks very like protectionism for the benefit of a few special interests in Europe?

The actions of the EC not only give credence to contentions about Fortress Europe; they also make a mockery of the EC's own reciprocity offer. Or how much more open than open should Hong Kong become, in order to receive reciprocal treatment in EC markets?

Dean Spinanger,
The Kiel Institute of World Economics,
PO Box 4309,
D-2300 Kiel 1,
West Germany

More flawed than visionary

From Dr A. Mezey.

Sir, I was intrigued by the eulogy of Mircea Eliade in Anthony Hartley's book review, headlined "A Man of Vision" (January 21).

The Iron Guard which Eliade supported was about as "ethical and religious" as the Nazi SS. Adolf Hitler was their model and idol. This murderous gang incited and led pogroms; they assassinated Prime Minister Calinescu. The brutal killing of Codreanu and his henchmen was a reprisal for this murder; not, as the article implies, the other way round. The "patriot" Eliade had no compunction about serving under the dictator Antonescu and King Carol, who allied himself to Nazi Germany.

Altogether a misleading – or perhaps just ill-informed – article. Eliade was a considerable intellect and, unfortunately, a flawed personality.

A. Mezey,
20 Snakes Lane,
Woodford Green,
Essex

FINANCIAL TIMES
Friday February 3 1989

Ford attacks European market with new Fiesta

By Kevin Done, Motor Industry Correspondent, in London

FORD, the US automotive group, launches a concerted attack today on the West European small car market with the unveiling of its new generation Ford Fiesta, one of the most important new car introductions in Europe this year.

The company has invested more than $550m to develop the car, which will be produced at three of Ford's six European car assembly plants – Valencia in Spain, Dagenham in the UK and Cologne in West Germany.

The new car will be crucial to Ford's controversial plan, disclosed last month, for improving the productivity and efficiency of its troubled Dagenham assembly plant, which is at the bottom of the company's European productivity and quality league.

Ford intends to reduce Dagenham to the status of a one model plant by transferring all production of the more complex mid-range Sierra model to Genk in Belgium.

Despite opposition from union leaders, Ford plans the staged withdrawal of the Sierra from Dagenham during the next 18 months. Car assembly at the plant will depend exclusively on the new Fiesta from August 1990.

Ford warned that Dagenham's quality, volume and cost performance must improve if it is "to continue as a viable manufacturing site."

In parallel with the Sierra move Fiesta capacity at Dagenham will be virtually doubled as Ford launches its new small car offensive. Fiesta capacity is also being increased at Valencia and Cologne.

It is hoping the new Fiesta range will enable it to capture incremental market share from its main small car rivals, Fiat of Italy and Renault and Peugeot of France.

The new Fiesta is vital to Ford's chances of clawing back lost market share in western Europe, where demand for small cars has been growing faster than in any other part of the generally booming new car market.

Small cars (the so-called B segment) accounted for almost a third of new car sales in western Europe last year compared with less than a fifth when the first Fiesta was launched in 1976. In the same period small car sales volumes have almost doubled.

The existing Fiesta was in fourth place in the small cars sector of the Western European market last year behind the Fiat Uno, the Renault R5 and the Peugeot 205, but was hampered by only being available in a three-door version.

The new car will go on sale in the UK and continental Europe in mid-April.

Ford has broken the traditional shroud of secrecy surrounding new model launches with the Fiesta by placing a fleet of 250 pre-production cars with business and public users around Europe in an effort to detect and correct quality defects before any are sold.

Background, Page 22

Bloodbath looms in race for Kabul

Christina Lamb reports on the scramble for the Afghan capital

ONE OF the few things that has survived intact during the nine-year Soviet occupation of Afghanistan is the peculiarly chaotic national game of *buzkashi*.

Played on horseback, it is similar to polo, but the object is to pick up a dead goat which by the end of the game is unrecognisable. The pitch is not defined and players often disappear across the horizon, returning much later heralded by clouds of dust. Nowhere is safe for spectators to stand.

A more sinister game is about to be played out inside Afghanistan. Like *buzkashi*, it is every man for himself but with much higher stakes. The prize is control of Kabul.

The seven-party Pakistan-based resistance has a joint plan for the seizure of the beleaguered capital from the ruling Soviet-backed Peoples Democratic Party (PDPA), under which each group gets a share of the city to control. Nobody takes this plan seriously and each party has formed its own separate plan for the capture of the city. In the process many "spectators" are likely to be trampled to death.

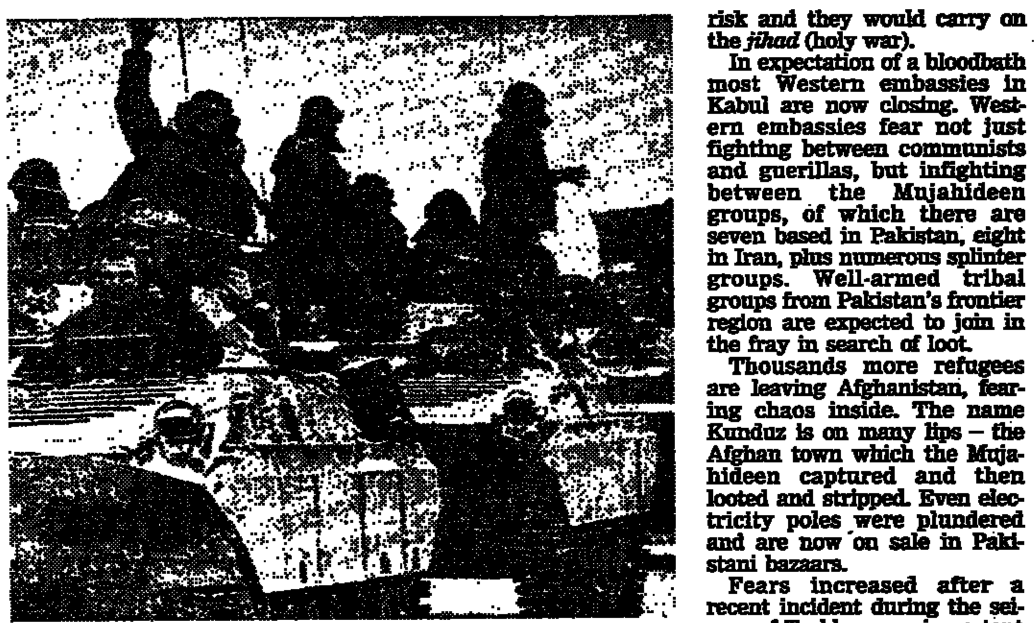
Civil war seems increasingly likely. Yesterday yet another setback to the prospects of the guerrillas agreeing among themselves emerged when the Iranians suddenly increased their demands on representation for minority Shia Afghans, 2m of whom are refugees in Iran.

Dr Ali Akbar Velayati, the Iranian Foreign Minister, who is visiting Islamabad in search of a political compromise, has raised his demands for the Shias to have a third rather than a quarter of the seats on a *shura* (assembly) to consider the future government of Afghanistan.

But two of the fundamentalist Sunni groups based in Pakistan are against any Shia representation. On the other hand, Mr Pir Gaylani, one of three moderate Sunni leaders based in Pakistan, has already threatened that if the *shura* planned for February 10 approves a fundamentalist-dominated interim government, his party, the National Islamic Front of Afghanistan, will take up arms against it.

Mr Asim Nasser Zia, a NIFA spokesman, explains: "This will just be a transfer of power from one set of puppets to another. The extremists are more savage than the communists because they loot and kill under the cloak of Islam. If they take power, the bloodbath will continue for another 10 years."

Equally, if Pir Gaylani gets his wish to bring back the exiled King Zahir Shah, three of the four fundamentalist leaders say his life will be at risk and they would carry on the *jihad* (holy war).



Soviet troops north of Kabul heading for the border

In expectation of a bloodbath most Western embassies in Kabul are now closing. Western embassies fear not just fighting between communists and guerrillas, but infighting between the Mujahideen groups, of which there are seven based in Pakistan, eight in Iran, plus numerous splinter groups. Well-armed tribal groups from Pakistan's frontier region are expected to join in the fray in search of loot.

Thousands more refugees are leaving Afghanistan, fearing chaos inside. The name Kunduz is on many lips – the Afghan town which the Mujahideen captured and then looted and stripped. Even electricity poles were plundered and are now on sale in Pakistani bazaars.

Fears increased after a recent incident during the seizure of Torkham, an important Afghan-Pakistani border town, where 70 Afghan regime soldiers who surrendered to the Mujahideen were slaughtered, their bodies chopped up and sent back in boxes. Few now believe Mujahideen promises of amnesty. A Nangahari commander explains: "The Pathan creed is revenge. If I cannot find the man who killed my brother I must take his son."

Civil war is not the only danger. With Afhanistan suffering the harshest winter in 25 years, starvation in the capital remains a serious threat in spite of the occasional food delivery from both the Soviet side and the Mujahideen.

Senators delay vote on whether to confirm Tower

By Lionel Barber in Washington

THE US Senate Armed Services Committee yesterday unexpectedly delayed a vote to confirm Mr John Tower as Secretary of Defence, saying it wished to review "additional information" about the controversial nominee.

Senator Sam Nunn of Georgia and Senator John Warner of Virginia, the two senior members of the committee, met officials from the Federal Bureau of Investigation to discuss the material about Mr Tower, who has been plagued by charges of womanising, drinking and enjoying close ties to defence contractors.

Until yesterday, senators had responded warily to the allegations during the four days of hearings, though Mr Nunn, the powerful Georgia Democrat who chairs the committee, did ask Mr Tower if he had a drink problem.

"I have none," Mr Tower replied. "I am a man of some discipline."

Mr Bush's nominee aroused controversy abroad when he singled out Japan and Europe for not contributing sufficiently to the Western alliance. He recently described the post-war Japanese constitution as a "lousy idea" because it restrained Japan from building up its military forces.

Mr Tower calculated that criticising Nato allies was a useful short-term ploy for winning support among sceptical Democrats such as Senator Carl Levin of Michigan who is also an ardent advocate of "burden-sharing" in the alliance.

Senators Levin and Nunn were the only committee members thoroughly to probe in public Mr Tower's ties to defence contractors which enabled him to earn more than $750,000 over a two-year period.

During his testimony, Mr Tower pledged to root out fraud in Pentagon weapons procurement and indicated his willingness to accept military spending cuts. He also distanced himself from former President Ronald Reagan's plan for a comprehensive "Star Wars" defence against offensive nuclear missiles, probably signalling an early cut in the Strategic Defence Initiative budget.

Mr Tower is an outspoken supporter of Mr Reagan's military build-up in the early 1980s when he chaired the Armed Services Committee. Asked about this, Mr Tower said he was "not such a mindless hawk to ask for a substantial increase in defence expenditure when I know it's not going to happen."

● Mr Alan Greenspan, Federal Reserve chairman, yesterday increased pressure on Congress to agree on measures aimed at reducing and eventually eliminating the country's budget deficit.

He warned in evidence to the House Ways and Means Committee that continuing deficits courted a "dangerous corrosion of our economy" and risked "significant reductions ..... in our living standards." He said that, if planned reductions were not met, interest rates would not drop in line with Administation forcasts.

Page 4

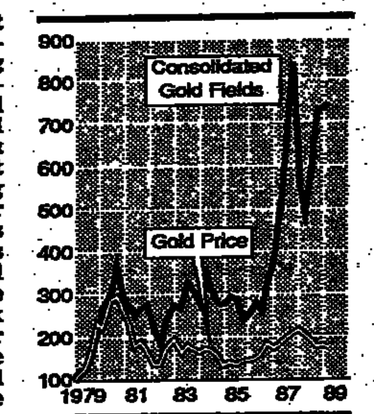
THE LEX COLUMN

Gold Fields' last stand

There is still a chance that Gold Fields will retain its independence, but it is looking increasingly unlikely. The reference of the Minorco bid always looked an oddball move, and there is more than a faint hint in the MMC report that it felt its time was being wasted. However, a major plank in Gold Field's defences has now been removed, and its shareholders would be ill served if it continued to hire expensive US lawyers to block Minorco from putting an offer on the table. There may still be some rumblings in unexpected quarters, but now that the political power brokers have lost their phoney war a straightforward financial battle can commence.

Of course, Minorco was trying to talk the Gold Fields share price down yesterday by suggesting that it might not even renew its bid because of Gold Fields' scorched earth tactics. However, its dogged determination to sit out the MMC inquiry – even though it has had the unfortunate side effect of precipitating an OFT investigation into its parent's diamond cartel – underlines its unswerving ambitions. Given Anglo American's urgent need to develop an effective offshore vehicle free from the taint of South Africa, it would be remarkable if Minorco did not increase its bid within the next three weeks. With the gold price under $400 and gold shares performing miserably, a £15 per share cash offer for Gold Fields would probably be sufficient.

Gold Fields' defences have not been helped by the fervour of its own anti-South African stance, some of which is bound to affect the group's businesses adversely. But its share price is considerably higher now than when the battle first began, and it has had plenty of time to think up a credible defence. Putting a fancy price on its assets will not be enough. If it is to stand a chance of survival it will have to swallow its pride, borrow some of Minorco's ideas and begin to unlock some of its real value for shareholders. A partial flotation of ARC would be a good way to start.



Cadbury/Bassett

Cadbury's £91m intervention in the Bassett bid does not loom large in the overall scheme of things, but is a useful reminder that the company is not exclusively concerned withdeveloping its soft drinks business. It also points to the consolidation going on in the once dwindling and fragmented sugar confectionery market; the acquisition will rank Cadbury along with Rowntree in the UK, behind the market leader Trebor. As a basis for further expansion, it will also provide critical mass – an apt term for combining Pontefract Cakes and Sherbert Fountains with Murraymints and Midget Gems – and extend distribution in continental Europe.

Together with the buy-out of Cadbury's Australian minority, the Bassett deal – which looks odds-on to succeed at the present price – will dilute General Cinema's stake to around 17 per cent. This is starting to look risky for the Cadbury share price. At 362p, the 1988 earnings multiple is over 17, representing a bid premium of maybe 20 per cent. General Cinema are accomplished poker players, but assuming they are not outright bidders themselves, they are taking a while tofind a buyer. As holders of Taylor Woodrow could attest, the market is in no mood to accept institutional placings when it has been led to expect more substantial fare.

BAA

The official line from BAA is that there is no rift with its hitherto friendly regulator on how to tackle airport chaos next century. However, the utility cannot be delighted at the CAA's insistence that work must start at once on a new London runway, when it had hoped to put off a decision on the massively expensive and logistically complex project for a few years yet.

Otherwise, yesterday's CAA report holds few horrors for BAA's shareholders: the continued expansion in traffic can only be good news, and thanks to BAA's recent move to capitalising interest, the new investment – which might be £1bn or more – will not touch profits until the revenues start rolling in. Meanwhile, the CAA's noises about encouraging competition from new airport owners seem pretty empty. In theory there is nothing to stop others providing the needed capacity – British Airways itself has jokingly entertained the notion of running airports (saving over £100m a year in landing fees). But the prospect of the 30 years it took to build Stansted and the costs of doing so should continue to do their bit in protecting BAA's monopoly.

S&W Berisford

The flushing out of Mr Larry Goodman as a 4.9 per cent holder of Berisford puts another small question mark over the company's independence. It seems unlikely that Mr Goodman has the resources to bid outright, either for Berisford or Unigate; but he has extensive connections in agribusiness, and may have scented something in the air. There have now been four bids for Berisford – more accurately, for British Sugar – in the space of three years; added to the stakes already held by AB Foods and the Pritzkers, Mr Goodman's brings to 40 per cent the total of Berisford's equity held in big and detachable chunks. The only snag lies in seeing how the shares can be worth much more than their present 426p.

Newspapers

If he had planned the whole thing from the outset, Mr David Sullivan's brief involvement with Portsmouth & Sunderland could hardly have turned out better. His correct identification of an undervalued company, his noisy protestations of its true value, and the sale of his stake at a 30 per cent profit in under a week show him to be a natural arb. His achievement is all the greater as Portsmouth & Sunderland is family-controlled and effectively bid-proof – which makes the interest of Associated Newspapers a little puzzling. While the target company might be more inclined to return Lord Rothermere's telephone calls than it was Mr Sullivan's, it is difficult to imagine the conversation consisting of much more than an exchange of pleasantries; but 12 times earnings is a highish price for a passive trade investment.

EIB tops World Bank in borrowings

By William Dawkins in Brussels

LENDING BY the European Investment Bank surged by 30 per cent last year, putting it ahead of the World Bank for the first time as the largest institutional borrower on international capital markets.

The revival in demand for EIB funds came after a year when lending grew only fractionally, and was fuelled mainly by a rise in regional development projects for the European Community's poorer regions.

There was also an expansion in financing for infrastructure projects in transport and telecommunications, geared to the creation of a single European market, said the bank.

Overall lending rose to Ecu 10.2bn ($11bn) in the year to last December, from Ecu 7.8bn in 1987. Of that, Ecu 9.5bn went to projects in the EC, and the remaining Ecu 700m to the EC's Mediterranean neighbours and African, Caribbean and Pacific nations. To fund the expansion, the bank raised Ecu 7.7bn on world capital markets, 37 per cent more than the previous year's Ecu 5.6bn.

Borrowings were in 14 currencies, including the bank's first peseta and escudo issues as well as in Ecus, where the EIB is also the world's largest lender as well as borrower.

Mr Ernst-Gunther Broeder, the EIB president, attributed the expansion to "the improved investment climate the EC enjoyed last year". He predicted lending would rise another 20 per cent this year, with borrowing following the same trend, though the bank still did not expect to be forced to seek a capital increase before 1992.

He warned, however, a careful mix of grants and loans was needed to ensure poorer regions reaped maximum benefit from the doubling of Community structural funding, much of which will be accompanied by EIB loans,planned between now and 1992. "As a general rule, the use of grant aid should vary inversely with the revenue which the investment is expected to yield."

Among the highlights of last year's lending were Ecu 1.6bn for the Italian Mezzogiorno, Ecu 213m for the Channel Tunnel and Ecu 285m for two European weather and telecommunications satellites.

The bank also saw a sharp rise in industrial lending – Ecu 281m – to the UK private sector, caused chiefly by a revival of interest in EIB funds from clearings banks on lending to small and medium-sized companies.

Minorco cleared for new Gold Fields bid

Continued from Page 1

Minorco bids again," which he expected it to do.

Minorco confirmed its plans to sell Gold Fields' 18 per cent stake in Gold Fields of South Africa and 49 per cent holding in Newmont Mining in the US. It also disclosed that, if a new bid succeeded, it would sell Gold Fields' 48 per cent stake in Renison Goldfields Consolidated, the Australian mining company.

The MMC clearance, however, does not depend on any of these disposals going ahead. Sir Michael said Minorco had not engaged in any "plea bargaining."

Minorco had decided to sell the Renison stake before the referral, Sir Michael said. Objections to the bid from the Australian and Papua New Guinea Governments were irrelevant, he added.

Inspectors from the UK Department of Trade and Industry are investigating dealings in Gold Fields shares in the months before the bid. Both Lord Young and Sir Michael said this issue was unrelated to any takeover.

Gold Fields shares yesterday closed 117p higher in London at £14.20. Analysts were convinced that Minorco would return to the fray with a bid worth about £15 a share compared with the previous cash-and-shares terms worth £13.20..

They suggested Minorco would next time have to offer a full cash alternative because during the first bid it became clear that UK institutions in particular were not keen on taking shares in the Luxembourg-based company.

Analysts said there was only a remote chance that Gold Fields could find a "white knight" to counter-bid.

On October 24, the day as the bid was referred to the MMC, a New York judge issued an injunction to prevent Minorco increasing its shareholding in Gold Fields above 30 per cent.

The result of the appeal against that decision should be known shortly. If the injunction is continued Minorco would be able to bid again but would not be able to declare its offer unconditional.

However, Minorco seemed confident yesterday that it could overcome that difficulty because it would have 109 days – the maximum period permitted by the Takeover Code between a new bid being made and being declared unconditional – to clear up the US litigation. Under the Code, Gold Fields must launch a bid with 21 days of clearance or wait until the first anniversary of the referral.

Charles Hodgson writes: In the House of Commons, Sir William Clark, chairman of the Conservative finance committee, said there was something wrong with the law if it left Lord Young powerless to prevent the merger, despite the current investigation into possible insider dealing in Gold Fields shares. If the share-dealing probe produced evidence of insider dealing, the merger "would have to be unscrambled," he said.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	14	57	Dubrovnik	C	12	54	Malta	F	15	59	Rhodes	S	13	55
Algiers	F	15	59	Edinburgh	C	09	48	Manchester	S	06	43	Rio de J'o	F	37	99
Amsterdam	C	02	36	Faro	C	15	59	Manila	C	31	88	Rome	F	17	63
Athens	F	11	52	Florence	S	10	50	Melbourne	-	-	-	Salzburg	C	-1	30
Bahrain	C	17	63	Frankfurt	C	02	36	Mexico City	F	21	70	San Francisco	F	11	52
Bangkok	F	32	90	Funchal	S	18	64	Miami	F	24	75	Seoul	F	-1	30
Barcelona	S	14	55	Geneva	C	00	32	Milan	S	09	48	Singapore	C	31	88
Beirut	F	18	64	Gibraltar	C	15	59	Montreal	C	01	34	Stockholm	F	05	41
Belfast	C	08	46	Glasgow	C	09	48	Moscow	C	-2	28	Strasbourg	Fg	-2	28
Belgrade	C	00	32	Guernsey	Fg	06	43	Munich	Fg	-2	28	Sydney	F	25	77
Berlin	C	03	37	Helsinki	F	04	39	Nairobi	F	25	77	Taipei	C	12	54
Biarritz	S	13	55	H. Kong	C	15	59	Naples	S	17	63	Tangier	-	-	-
Bombay	S	32	90	Innsbruck	S	08	46	Nassau	F	28	82	Tel Aviv	F	16	61
Bordeaux	S	10	50	Inverness	F	09	48	New Delhi	F	25	77	Tenerife	S	20	68
Brussels	C	07	45	Islamabad	C	18	64	New York	R	19	67	Tokyo	C	08	46
Budapest	C	02	36	Istanbul	F	07	45	Nice	S	14	57	Toronto	C	06	43
B. Aires	F	27	80	Jakarta	R	30	86	Nicosia	C	11	52	Tunis	F	15	59
Cairo	F	18	64	Jersey	Fg	06	43	Oporto	S	12	54	Valencia	S	14	57
Cape Town	S	23	73	Jo'burg	F	28	82	Oslo	F	05	41	Venice	S	10	50
Caracas	C	24	75	Lima	F	28	82	Paris	F	02	36	Vienna	C	03	37
Casablanca	-	-	-	Lisbon	C	12	54	Peking	S	05	41	Warsaw	C	09	48
Chicago	C	02	35	London	C	06	43	Prague	S	12	54	Washington	S	06	43
Cologne	S	03	37	Los Angeles	C	14	58	Reykjavik	Sn	01	34	Zurich	C	-3	27
Copenhagen	C	05	41	Luxembourg	Fg	-1	30								
Corfu	S	16	61	Madrid	C	12	54								
Dallas	-	-	-	Majorca	F	15	59								
Dublin	C	10	50	Malaga	S	16	61								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain
S-Sun Sl-Sleet Sn-Snow T-Thunder

Difficult role of heir apparent

Continued from Page 1

lawyer with a sharp mind and bald head. Afrikaners in this part of the world, especially in the farming "platteland," expect their politicians to have thick wrists and the hides of rhinoceroses.

Mr de Klerk is not one of those, either literally or metaphorically. Fortunately neither is Dr Treurnicht.

But Dr Treurnicht does have the advantage of being a former dominee of the Dutch Reformed Church. The cloth is excused many things in this Calvinist world of traditional afrikanerdom, while lawyers are viewed with suspicion.

Mr de Klerk's way of combatting the right wing tide has been to project himself as a conservative too, but a sensible, rational conservative as befits a man with impeccable nationalist pedigree.

His father, Senator Jan de Klerk, became leader of the now defunct Senate after serving as a cabinet minister under Prime Ministers Verwoerd and Vorster.

By contrast, his elder brother, "Wimpie" de Klerk, the former editor of the Afrikaans Sunday newspaper Rapport, is one of the leading Verligte, or "enlightened" Afrikaners.

In an interview with the Financial Times two years ago, Mr de Klerk made clear his belief in the need to protect "group" or ethnic interests. The National Party, he said, took as its starting point the diversity of South Africa and sought to ensure that "each group must have its own power base, its own executive and legislature and autonomy over its own affairs like education and welfare."

FINANCIAL TIMES
COMPANIES & MARKETS
Friday February 3 1989

INSIDE

Minorco cleared for ConsGold bid

Sir Michael Edwardes, Minorco's chief executive, (left), may have won a battle, but he has not yet won the war for Consolidated Gold Fields. There are at least two more hurdles for the South African-controlled Minorco to clear: a ruling by the European Commission on a potential merger; and litigation between them in New York could still trip Minorco up. Kenneth Gooding reports on the next move in a long-running takeover battle. Page 26

French rally to the old guard's standard

The old guard of French stock market indices is facing a challenge from an array of newcomers, leaving the bewildered investor with a widely varying set of performance yardsticks. The new indices may be more up-to-date, but brokers, fund managers and private investors still surprisingly cling to the veteran CAC General. Page 42

New Fiesta sets out to lead rivals a merry dance

The unveiling today of a new-generation Ford Fiesta, one of the most important new model launches in Europe this year, comes at a crucial moment in the company's European development. This is the model on which Ford is pinning great hopes for arresting its declining market share and opening up significant new opportunities. Page 22

A game of cerebral ping pong

First Technology's assault on Ricardo, the Sussex-based designer of engines and transmissions, scarcely fits the cruder type of financial ping pong. There is a significant dimension to the bid that goes beyond the strict financial considerations, which, in any case, are not overwhelming. Nikki Tait reports on the corporate culture clash which could lead to a fierce bid battle. Page 28

Mixed fortune in tea leaves

Kenya's tea industry has been cheered by news that Prime Minister Benazir Bhutto of Pakistan has lifted the restrictions on imports imposed by the previous regime. Prices for all grades of tea showed a marked increase at the Mombasa auctions this week. But all is not well in the country's tea-growing sector, which is suffering from political interference and accusations of tribal discrimination in prices paid to growers. Page 30

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				Eurotunnel Wrts	7.5	+	1.3
Rises				GTM Entrepose	1255	+	91.1
Bayer	512	+	13	Metaleurop	143	+	10.8
Feldmuehle	315	+	10.8	Valeo	882	+	49
Mannesmann	210.5	+	5.2	**Falls**			
Vag AG Aktien	281	+	7	G.P. Olipar	505	–	30
Volkswagen	317	+	8.5	**TOKYO (Yen)**			
NEW YORK ($)				**Rises**			
Rises				JGC	1180	+	140
Fuqua Inds.	32⅜	+	1½	Nippon Road	1880	+	200
Newmont Mining	40⅞	+	3⅛	Nippon Shokubai	1890	+	200
The Limited	30⅞	+	½	Tokai Pulp	1450	+	200
Travelers Corp.	37	+	⅞	**Falls**			
Falls				Canon Sales	2850	–	190
Blockbuster	24⅜	–	1¾	Teikoku Tsushin	1110	–	70
K mart	37⅞	–	⅜				
PARIS (FFr)							
Rises							
Eurotunnel	79	+	8.9				

New York prices as at 12.30pm

LONDON (Pence)							
Rises				Bell (Jas)	234	+	7
AIM Group	339	+	20	Racal Elec	350	+	8
Antofagasta	338	+	14	Randsworth	236	+	8
Asset Trust	85	+	16	Reed Intl	452	+	16
BPB Inds	247	+	7	Schroder Global	271	+	19
Bassett Foods	558	+	85	Sykes-Pickavant	120	+	16
Berisford (S&W)	426	+	14	Tarmac	276	+	10½
Cons Gld Flds	1420	+	117	VSEL	492	+	12
Eurotunnel Uts	688	+	50	**Falls**			
Evered	133	+	5½	Allied-Lyons	479	–	8
G'nall Whitley	302	+	9	BOC Group	495	–	8
Jersey General	505	+	90	Moss Trust	36	–	6
MB Group	294	+	7				
Monotype	172	+	12				

GEC in talks with Matra

By Terry Dodsworth and Hugo Dixon in London and George Graham in Paris

BRITAIN'S General Electric Company is negotiating several collaborative deals with Matra, the French electronics group, as part of its planned expansion in the European defence market.

The talks come amid a flurry of activity by GEC since it launched its hostile bid for Plessey, the UK electronics company, in collaboration with Siemens of West Germany. If the Plessey deal were successful, GEC would strengthen its position in the West German and Italian defence electronics markets.

The company realises it also needs to build up a presence in France, with Matra being an obvious choice since GEC already owns 5 per cent. GEC recently strengthened its relationship with Matra in a deal with Electronique Serge Dassault, the electronics group, which is to supply Matra with radar devices developed jointly with the UK group.

The two main areas covered by the current talks are missiles and spacecraft. Matra is one of France's leading manufacturers of missiles and satellites, while GEC makes the radar and telecommunications devices that go inside them.

A GEC executive said the company was also examining the possibility of increasing its stake in Matra. However, officials stressed that it had no immediate plans to do this, and would consult with Mr Jean-Luc Lagardère, the Matra chairman, who holds 17 per cent of the company, before making any changes.

A Matra executive said: "To our knowledge GEC has no intention of increasing its stake in Matra. Any operation which might be done would be done in a friendly framework."

Some of the projects being examined with Matra also involve Daimler Benz, the West German group, which also has 5 per cent of Matra.

These plans underscore the rapid development of pan-European strategies by the region's leading defence electronics companies. Thomson, France's largest defence company is trying to establish itself in the UK, making it even more important for GEC to develop its activities in France.

Mr Simon Weinstock, GEC's commercial director, says that Matra's telecommunications activities are not involved.

Brussels clears way for packaging mergers

By Will Dawkins in Brussels and Maggie Urry in London

THE EUROPEAN Commission yesterday gave green lights to two large mergers which will shake up the international packaging industry – the $1bn bid by Pechiney, the French state-owned aluminium company, for American National Can, and the merger between Carnaud of France and Metal Box Packaging of Britain.

However, the Carnaud-Metal-box plan produced a fresh wave of hostility between the British and French companies on one side, and Elders Investments, the Australian group which is objecting to the terms of the deal.

The Commission gave a conditional go-ahead to the Pechiney bid for American National, which is one of the world's top users of aluminium.

EC anti-trust authorities launched an inquiry after the takeover was announced last November. As a result of this, Sir Leon Brittan, the Competition Commissioner, has announced that the deal does not constitute an abuse of a dominant position, which would be outlawed under the Rome Treaty.

He has, however, warned Pechiney that the Commission's approval only stands so long as the French company does not abuse its position as the world's third-largest aluminium group.

Brussels is still examining possibly illicit state support for a FFr4.5bn ($714m) Pechiney aluminium smelter to be built in the depressed coastal town of Dunkirk. British Steel and the West German association of packaging materials producers have alleged that Electricité de France plans to supply the plant with subsidised electricity and that other state subsidies are on offer, contrary to EC competition rules.

The French public prosecutor is, meanwhile, examining a government report into alleged insider trading ahead of Pechiney's takeover of Triangle, ANC's parent. Officials in Brussels said both the deals got the go-ahead partly because many customers of the companies involved were big groups with considerable marketing power, but also because their products and markets were complementary.

Carnaud said yesterday that the planned merger "has not been set back by the actions of the Australian group, Elders." It reiterated the merger is "a response to the demands of clients in the European market of 1992."

MB Details, Page 27

Cadbury bids £91m for Bassett

By Lisa Wood in London

CADBURY SCHWEPPES, the UK confectionery and soft drinks group, yesterday launched an agreed £91m bid for Bassett Foods, countering a £63m ($110m) hostile bid from Procordia, the Swedish state-controlled group.

Minutes later in the market it bought a 14.9 per cent stake in the manufacturer of Jelly Babies.

The board of Bassett gave its unanimous support to Cadbury, which is offering eight new Cadbury shares for every five already held in Bassett, the equivalent of 579p per share.

There is also a cash alternative of 538p per share. Bassett's shareholders will retain the interim dividend of 2.2p net declared on November 30, 1988.

Cadbury's share closed at 362p, down 2p. Bassett's share price closed at 558p per share, up 85p, suggesting that the City believed Procordia was not likely to increase its 400p per share offer. Procordia, which has a 10.1 per cent stake in Bassett, said it was considering its response.

On Tuesday, Bassett urged shareholders to reject Procordia's bid, dismissing the offer as a "bargain basement price".

Mr Bev Stokes, chairman of Bassett, said yesterday that three other companies had expressed an interest in being a white knight to Bassett.

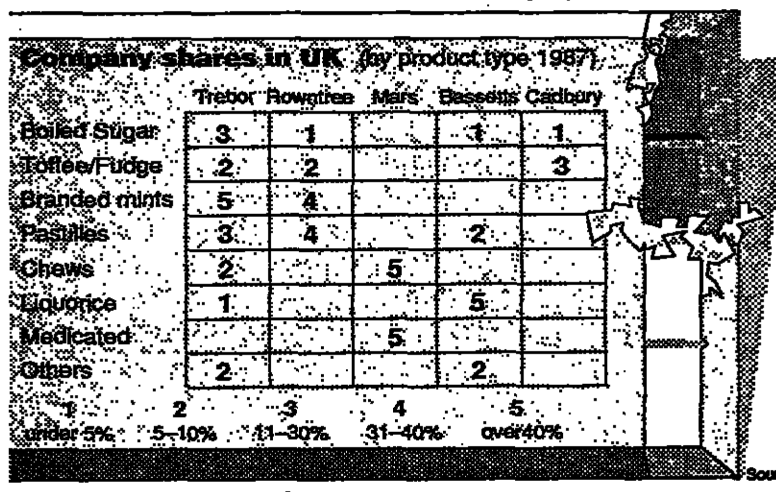
Mr Stokes, who fought off a hostile bid by Avana Foods in 1984, said: "I do not like hostile bids. Cadbury's approach was friendly and not derisory and we have got guarantees about management and employee security."

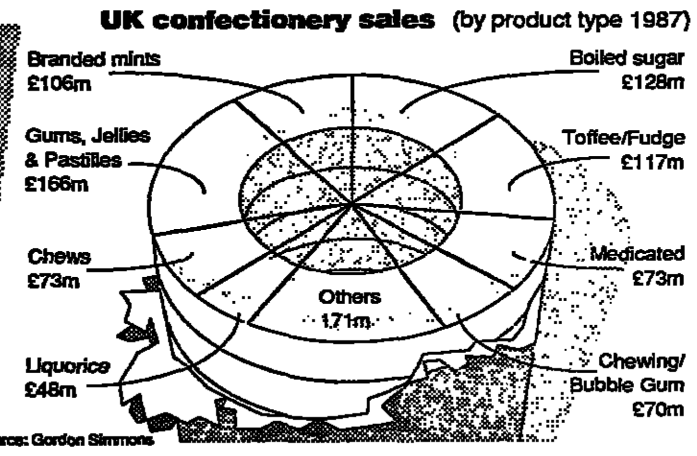
Cadbury, which has a smaller share of the UK sugar confectionery market than Bassett, plans to back its sugar confectionery business into Bassett, with the Bassett name as a strong asset.

Mr David Nash, Cadbury's finance director, said the price was full in order to get the support of the Bassett board. But it represented value for money. Earnings per share would be slightly diluted in 1989 but not in 1990, the first full financial year to include Bassett.

Full acceptance of the offer will result in an expansion of 4.1 per cent of Cadbury's share capital, the maximum allowed while it is still seeking to buy out the minority in Cadbury Schweppes Australia.

Kleinwort Benson is advising Cadbury, S.G. Warburg is advising Bassett, and County NatWest Procordia.





Source: Gordon Simmons

Jelly Baby falls for charms of chocolate soldier

Lisa Wood explains why Cadbury decided to bid for Bassett

JELLY BABIES, Midget Gums, Throaties and a battery of other sugary concoctions yesterday joined the front line in a battle for the hearts and tastebuds of sweet-toothed Europeans.

The intervention of Cadbury Schweppes, the UK confectionery and soft drinks group, as white knight in a bid by Procordia of Sweden for Bassett Foods of the UK underlines the growing tussle to win European market share in the sugar confectionery market.

Analysts said Cadbury's intervention was a logical move for the group, giving it critical mass in the UK sugar confectionery business and an increased presence on the Continent. The question now is whether Procordia, which sees Bassett as an important step in its expansion in the European Community, will think it worthwhile coming back with a better offer.

Cadbury had been on bid alert ever since General Cinema, the US group, built up an 18.1 per cent stake in the group, and over the past couple of years it has been firing on all cylinders to exploit more fully the international potential of its core confectionery and soft drinks businesses.

While Cadbury, along with Rowntree, dominates the £2bn ($3.5bn) UK chocolate confectionery market, with brands such as Dairy Milk and Wispa, it has only got a three per cent share of the £1bn-a-year UK sugar confectionery market.

This is a fragmented market with Trebor, the market leader, taking an estimated 15 per cent stake by value, followed by Rowntree at 14 per cent and Bassett with 11 per cent.

Demand for sugar confectionery in the UK, the second-largest market in Europe after West Germany, dropped sharply in the early 1980s, from about 44 per cent of the total confectionery market to consolidate at around 37 per cent. Within this market, however, there are niches – including gums, liquorice and medicated sweets – which are showing healthy growth.

Cadbury, which has a presence in several overseas markets with its sugar confectionery brands, believed it had to either get bigger in those growth areas or get out of the sector altogether.

Independent consultants last year conducted a three-month analysis for the company of opportunities and concluded there was potential for greater brand building and improving profit margins, which traditionally have been nearly half those of chocolate confectionery.

British sugar confectionery companies that have come up for sale over the past year – including Callard & Bowser – were checked out by Cadbury and it bought Lion, a small privately-owned one.

Bassett, with sales of £81.6m in the year ended April 1988, was identified long ago by Cadbury as having brands which were complementary to its own and in growth sectors of the market, such as Liquorice Allsorts.

But, Cadbury, well aware that consolidation in the industry might make Bassett a strong bid target, decided not to make a hostile bid against the resilient little company, which saw off a hostile bid by Avana Foods in 1984.

Today, Cadbury, with the full agreement of Bassett, plans to back its own small sugar confectionery business, with its Pascall-Murray and Lion brands, into that of Bassett. Mr Bev Stokes, chairman of Bassett, will manage the business.

Considerable cost savings can be made, say Cadbury, which it claims fully justify the £91m price it is offering. Synergies, it says, will come in research and development, purchasing of raw materials, production rationalisation and distribution.

Bassett will also bring manufacturing plant in the Netherlands at a time when Cadbury, which bought Poulain, the French chocolate group two years ago, is seeking to improve its distribution on the Continent.

Procordia, which claims 12 per cent of the Swedish confectionery market, also wants to increase its distribution on the Continent. It has few brands and no presence in the largest sugar confectionery markets in Europe.

Cash-rich Procordia has activities in four main areas: consumer goods, including beer, soft drinks, confectionery and tobacco; services, including hotels; pharmaceuticals and engineering.

The Swedish group, while well aware there could be other suitors for Bassett, did not believe its £63m offer to be low. Just how much it values Bassett has yet to be seen. But Procordia, for which Bassett offers fewer synergistic benefits, may find it hard to justify an offer to cap that of Cadbury's, which represents a multiple of 24.7 times Bassett's historic earnings.

Repsol profits jump by 53%

By Tom Burns in Madrid

REPSOL, the Spanish state-owned energy conglomerate, yesterday announced pre-tax group profits of Pta83.2bn ($711m), a 53 per cent rise on the previous year. The company is to be partially privatised in three months' time, with share placements in Madrid and in New York.

The bumper results of this exploration, refining and distribution consortium serves to sharpen interest in what is expected to be the biggest public flotation of a Spanish company.

Mr Oscar Fanjul, Repsol's chairman, said between 20 and 30 per cent of the company would be floated on May 11 and that a third of the total would be placed on the New York stock exchange, where Goldman Sachs and Morgan Stanley will be respectively leading and co-leading the syndication. Warburg has been awarded the syndication in Europe and Nomura in Japan.

Repsol, which is being advised by Rothschild, will announce the extent of the flotation and the share price on April 20. Analysts estimate that the value of the Repsol placement could in the region of Pta70bn.

The group's 20,000 employees will receive a Pta500,000 interest-free, 18 month loan from Repsol to buy shares at a 10 per cent discount.

Mr Fanjul, claiming that Repsol had been "streamlined into optimum condition to test the market," said the results reflected the growth of the Spanish economy and also the effects of financial restructuring and improved operating margins. Repsol has completed its pension fund provisions and is debt free.

The payout on the results will be some Pta25bn, slightly under 50 per cent of profits.

Mr Fanjul said the group's objective was to at least maintain such a dividend in view of the forecasts for 1989.

The restructuring had allowed the group's financial results to show a profit of Pta14.1bn, a rise of 195 per cent. Profits rose by 38 per cent to Pta99.6bn on operations and the cash flow stood at Pta159.9bn, up 36 per cent, while sales rose 8 per cent to Pta960bn.

The results showed that the growth in demand in Spain had more than compensated for the gradual loss of Repsol's monopoly position due to EC-induced deregulation. Campsa, the group's main distribution arm, spent Pta44bn last year on expanding its service station network, more than double what it had invested in 1987.

There were reports yesterday that a provisional agreement two years ago between Repsol and Pemex, under which the Mexican company would acquire 10 per cent of the Spanish group in exchange for a crude oil supply deal, had been called off. Pemex is allegedly unwilling to offer favoured treatment to Repsol in a joint venture scheme for fear of being forced to lower its prices elsewhere.

Mr Fanjul refused to comment on the reports but said a statement on the protracted negotiations with the Mexican company would be announced within the next two weeks.

Hawker buys Japanese business

By Ian Rodger in Tokyo

HAWKER SIDDELEY International, the UK-based electrical engineering group, has acquired an electric meter manufacturing business in Japan.

The business is small, but acquisitions of Japanese companies of any size by foreign groups are still rare. It is Hawker's first acquisition in Japan.

The business was formerly part of Alps Electric Instrument, a small, private company (Y700m or $5.3m turnover last year) with no relation to the large Alps Electric electronic components parts group.

Mr Piers Cumberlege, manager of Hawker Siddeley International (Japan), said yesterday that the acquisition would help Hawker develop its instrument business in Japan.

This was the only major market in the world in which Hawker did not have a significant position in this sector.

Mr Cumberlege said that even though the Alps business was small, it would be particularly helpful to Hawker because its products were certified under Japanese Industrial Standards, a prerequisite to selling in the Japanese market.

The business consists of a factory with 70 employees in Nagano prefecture, about 150 miles west of Tokyo.

Mr Kunio Yamagishi, a former general manager of Alps, will be president of the new company, K.K. Crompton Alps.

Mr Cumberlege said that Alps had a relatively low share in the Japanese market for instrument panels in large scale electrical plant.

However, it had a 50 per cent share in the market for portable measuring instruments for electricians. It exports about 30 per cent of its output.

An Alps official said the company decided to sell its meter division because it was not financially strong enough to provide the investment needed.

The division needed a greater variety of products than it had at the moment, he said.

Fourth-quarter rally at Chrysler

By Anatole Kaletsky in New York

CHRYSLER, the third largest US motor manufacturer, reported an 18 per cent advance in its fourth-quarter net profits, recovering from a sharp fall in the quarter before.

For 1988 as a whole, however, the company earned 13 per cent less than in 1987. The results were broadly in line with market expectations and Chrysler shares drifted down by $⅛ to $28½.

Chrysler made net profits of $433.6m or $1.85 a share in the fourth quarter, against $350.3m or $1.57 the year before. Full-year profits were $1.05bn or $4.66, compared with $1.29bn or $5.90 in 1987. The 1988 full-year results included a previously-announced provision of $93.1m or 42 cents a share for plant closures in the Acustar parts division.

Chrysler's worldwide net sales revenues increased by 21 per cent to $35.47bn. The quarterly revenue gain was 14 per cent to $9.69bn. Factory sales volume grew by 13 per cent in the year to 2.57m units, and by 8 per cent to 689,403 units in the fourth quarter.

The annual increases in revenues and factory sales were exaggerated by the inclusion of the Jeep-Eagle division of American Motors, which was acquired from Renault of France in August 1987.

Chrysler increased its share of the US car and truck markets in 1988. Its car market share rose by half a percentage point to 11.3 per cent, while its share of the truck and van market grew by 1.1 percentage points to 19.4 per cent. The company continued to dominate the rapidly-growing minivan market with a 55.6 per cent of US minivan sales, up slightly on 1987.

Mr Lee Iacocca, chairman, said the company finished the year on a strong note, not only in terms of sales but also of earnings. This meant Chrysler was "moving into 1989 with a lot of momentum." He did not, however, predict whether this year's earnings would show an improvement on 1988.

He did say the company's non-automotive subsidiaries enjoyed a "banner year." Chrysler Financial Corporation had record earnings for the *fifth straight year. It made* $258.7m in 1988, up 15 per cent on 1987. Chrysler Technologies, including the aerospace and electronics divisions, also had record operating earnings in 1988.

All-terrain vehicle to be produced in joint venture

RENAULT, the French state-owned carmaker, has created a joint venture with Chrysler of the US to develop a four-wheel drive all-terrain vehicle to come into production in July 1992, writes George Graham in Paris.

The French group, which sold its US subsidiary AMC to Chrysler in 1987, has continued to distribute AMC's Jeep range in Europe, but has been keen to expand its presence in the fast-expanding European all-terrain vehicle (ATV) market.

Chrysler, meanwhile, has been seeking a way back into Europe, which it left in 1978, during its brush with bankruptcy, when it sold its plants to France's Peugeot group.

The new ATV, code-named JJ, will be produced at two sites, one in North America, owned by Chrysler, and the other in Europe, probably in France, under the control of the Renault-Chrysler joint venture. The sites have not yet been chosen, *and officials* yesterday did not rule out converting an existing plant to produce the vehicles.

Chrysler will have exclusive sales rights in North America and Renault in France, Italy, Spain and Portugal. The two companies will have separate rights in other markets.

Besides marketing the Jeep range, Renault already has four-wheel drive versions of its Espace saloon and the Renault 21 Nevada, and is understood to be working on a version of the R21 Turbo.

The European market for ATVs has more than doubled in the past five years to represent around 420,000 vehicles last year.

Two leading US insurers show strong profit gains

By Anatole Kaletsky

TWO leading US property and casualty insurers report big improvements in fourth-quarter income, and modest gains for 1988 as a whole.

However, the big quarterly advances arose partly from comparison with the extremely unfavourable investment results in the last quarter of 1987, which included the Wall Street crash.

Travelers, one of the biggest in the sector, had net income of $278m or $2.74 a share in the fourth quarter, compared with $43m or 37 cents the year before. But $107m of the latest profit came from one-time gains on the disposal of several businesses.

The remaining improvement in Travelers' underlying results came from realised investment gains of $41m. In the fourth quarter of 1987, the company realised investment losses of $55m.

In 1988 as a whole, Travelers had net income of $103m or 92 cents a share, compared with $374m or $3.56 the year before. The latest year's results included $415m in reserves for real estate losses and realised investment losses of $327m. In 1987 Travelers realised investment losses of $55m.

Chubb, another big insurance company, had net income of $83m or $2.00 a share in the fourth quarter, compared with $51.3m or $1.23 the year before.

Realised investment losses were $9.5m in the latest quarter, compared with $36.7m in the last quarter of 1987.

Chubb's full-year profits were $359.6m or $8.55, up 9 per cent on the $330.1m or $7.95 reported in 1987. Full-year investment losses were almost unchanged while underwriting profits and operating ratios deteriorated.

Last year's higher profits were derived mainly from a $64m increase in investment income from the non-life operations.

Reshaped Tenneco sees improvement this year

By James Buchan in New York

TENNECO, the Houston-based industrial conglomerate in the throes of reorganising its far-flung operations, saw a decline in profits from its core businesses in the fourth quarter but is poised for "significant" improvements this year.

Tenneco's results for the quarter and year to December 1988 were hemmed in by a thicket of special gains and losses arising out of its drastic reorganisation. The company booked gains of $892m from last year's sales of its oil and gas operations and charges of $199m to reshape its pipeline, farm machinery and chemicals and minerals businesses for continued operation.

Without these non-recurring profits and losses, and excluding contributions from businesses sold, Tenneco booked fourth-quarter operating profits of $22m against $87m for the 1987, on an 11 per cent rise in sales to $3.6bn. On the same basis, operating results for the year were virtually unchanged at $198m on a 10 per cent rise in sales to $13.23bn.

In the course of the year, Tenneco enjoyed improvements in most of its businesses. At its Case IH farm machinery operation, which has been struggling with the US farm recession for years, basic operating losses fell from $253m to $95m thanks to better volumes and prices and big cost reductions.

Operating profits rose from $89m to $116m at the chemicals and minerals business, $166m to $215m at the packaging operations and $195m to $203m at Tenneco Automotive. Operating profits were unchanged at $175m at Newport News Shipbuilding.

Before any adjustments, Tenneco reported net income of $598m or $4.23 a share, against a loss of $176m for the quarter, and net income of $822m or $5.48 a share against a loss of $218m for the year.

Occidental Petroleum held back by charge

By Anatole Kaletsky

OCCIDENTAL Petroleum, the Los Angeles-based energy, chemicals and agri-business conglomerate, earned $6m or 2 cents a share in the fourth quarter and $302m or $1.21 in 1988 as a whole after recording a net provision of $45m for settlement of administrative proceedings with the US Energy Department.

Occidental's net earnings in 1987 were $36m or 17 cents in the final quarter and $213m or $1.06 for the whole year. Net sales increased by 14 per cent to $19.4bn for the year and were up by 29 per cent, at $5.3bn, in the quarter.

In spite of the quarter's small profit, Dr Armand Hammer, the chairman, said underlying earnings were significantly higher throughout the year, with particularly strong progress in Occidental's rapidly growing chemicals businesses.

Total operating earnings after tax, but before interest charges and unallocated corporate items, rose by 46 per cent in the quarter to $262m and by 47 per cent to $1.38bn for the year.

The oil and gas division made an operating loss of $43m in the quarter, after the Energy Department charges, compared with a profit of $64m the year before. Natural gas transmission made a gain of $7m, down from $19m. The lower earnings reflected higher depreciation charges and taxes.

Soaring prices push Inco to record level

By Robert Gibbens

SOARING NICKEL and copper prices brought record sales and earnings in Inco's final quarter and for 1988 as a whole.

The average price realised for the year for primary nickel was US$4.81 a pound against *$2.18 in 1987. Refined copper* fetched, on average, $1.12 a pound against 78 cents a year earlier.

For all 1988, net profit, including tax recoveries, at Inco, the world's largest nickel producer, was $735.4m or $6.92 a share, up from $125.2m or $1.09.

Before tax recoveries, the 1988 earnings were equal to $6.50 a share.

Fourth-quarter earnings were $219m or $2.06, including tax recoveries, up from $75m or 70 cents a year earlier.

Total net sales in the year were $3.26bn, up from $1.78bn, and $971m against $571m in the quarter.

The impact of increased metal prices was partly offset by the higher Canadian dollar and bonuses paid to employees based on record metal prices.

NEWS IN BRIEF

● MR WILLIAM FARLEY, the Chicago investor, has raised his cash tender offer for West Point-Pepperell,the US textiles *group, to $52 a share cash* from $48.

Pepperell had advised shareholders to reject the $48 a share bid launched last October *and which valued the* textiles group at $1.4bn.

● REPAP Enterprises, Canada's fastest growing pulp and *paper group, earned C$92.8m* (US$78m) or $1.79 a share for 1988, up from C$62.5m or C$1.28, on revenues of C$1.03bn against C$927m.

Repap's coated paper machines in eastern Canada and in Wisconsin operated full out at higher average prices and its British Columbia pulp *operation also had very* favourable results.

● WOODWARD'S, a century-old family-run department *store group* in western Canada, is seeking a "strategic alliance" with another merchandiser or a full takeover.

Woodward's has been under considerable pressure from the growing speciality store chains over the past decade.

It operates 26 department stores and 24 junior stores in British Columbia and Alberta. The company sold its grocery stores in 1987 and its credit-card operation last year.

For the 39 weeks to October 29, 1988, Woodward's incurred a loss of C$34.9m on revenues of C$457m.

● LLOYDS BANK'S Brazilian operation reported net profit *of $12.9m profit for* 1988, against $18.9m in 1987. Lending fell 70 per cent to $612m.

Mr F. Gibbs, the bank's general manager, explained that hard currency *lending* was down heavily because the Brazilian Government suspended re-lending of foreign banks' frozen central bank funds. He added that local financial markets were highly liquid last year, forcing a major reduction in loan spreads.

AT&T and Intel link will speed digital networks

By Louise Kehoe in San Francisco

A TECHNOLOGY agreement between AT&T and Intel of the US will hasten the implementation of digital telecommunications networks, the companies said yesterday.

The AT&T/Intel partnership represents an aggressive bid for a major share of the digital communications semiconductor market, and follows a similar, long-term alliance between Advanced Micro Devices and Siemens of West Germany last year.

Under the terms of a product and technology exchange agreement, AT&T's semiconductor division and Intel, one of the leading US semiconductor manufacturers, will swap existing local area network and ISDN (integrated services digital network) chip designs and co-develop future products.

The partnership may become the largest and most significant in the US semiconductor industry, market analysts said. Both companies have offered digital communications chips for some time, but together they represent a powerful team, combining Intel's strengths in semiconductor manufacturing and marketing with AT&T's expertise in data communications and telecommunications.

AT&T has been a major proponent of ISDN, an international standard for providing expanded digital communications facilities including telephone, facsimile, telex and data communications.

With several trials of ISDN systems under way throughout the world, the market for ISDN equipment is expected to grow dramatically over the next decade.

Sales of semiconductor components for use in ISDN equipment will grow from a current *global level of about $17m to* more than $600m by 1992, according to a study published by In-stat, a US market research firm. By the end of *the century they project* annual ISDN semiconductor sales of $3.6bn.

Stefanel wins Japanese outlets

By Alan Friedman in Milan

STEFANEL, the Italian clothes company that is seeking to emulate the success of the Benetton group, has reached an agreement with Kashiyama, the Japanese textiles concern, to market Stefanel clothes through a chain of retail outlets in Japan.

The move by Stefanel, which expects to see the first 20 boutiques open this autumn, follows similar ventures in Japan by Italian fashion houses such as *Armani, Versace and Krizia*, as well as Benetton itself.

Mr Giuseppe Stefanel, speaking from Tokyo yesterday, said that Kashiyama has been given exclusive *Japanese franchise* rights and plans to open around 100 Stefanel shops over the next three years. "We think this should generate L70bn of revenues by 1991," he said.

Stefanel, which is quoted on the Milan bourse, had 1988 sales of L260bn ($191m), a rise of 19 per cent on 1987, Mr Stefanel said. He added that the company, which is based in the Veneto region of north-eastern Italy, is forecasting 1989 turnover of L300bn.

Stefanel has a total of 800 shops, of which some 600 are in Italy. This gives the company a *network about one fifth the* size of Benetton, its traditional rival across the Piave river in the Veneto town of Treviso.

CAE Industries registers 55% gain at nine months

By Robert Gibbens in Montreal

CAE INDUSTRIES, one of Canada's leading high-technology groups, reports a 55 per cent gain in earnings for the nine months to December 31 1988.

CAE specialises in building commercial and military flight simulators and last August bought the Link simulator and training division of Singer Company of the US for nearly C$700m. Its other activities, including aircraft overhaul and maintenance, are based in Toronto and Edmonton.

Nine-month profits totalled C$29.8m (US$25m) or 39 cents a share, up from C$19.2m or 25 cents for the corresponding period of 1987. Revenues were *C$519m against C$252m. Link* results were included only for the third quarter when net profit equalled 19 cents a share.

The company discounts takeover speculation that has led to heavy trading in stock over the past two weeks. The share price has risen around two points to C$12.62 at Wednesday's close.

Order backlog is C$1.3bn, up from C$305m a year earlier, mostly due to Link.

CAE is expanding its West *German* electronics subsidiary and Link will seek more commercial aircraft simulator business, as regional and commuter airlines grow further in the US.

Extraordinary items inflate Petrobras net

By John Barham in Sao Paulo

PETROBRAS, the Brazilian national oil company, unveiled a surge in net profits in 1988 to $471.9m, an increase of 252 per cent in dollar terms over 1987.

The company, the largest in South America, saw net sales increase by a more modest 54 per cent to $10.5bn.

It pointed out that revenues were inflated by extraordinary factors, such as the payment of a $320m insurance claim on an oil rig disaster and re-negotiation of local currency debt, and by the highly-profitable operations at its non-oil subsidiaries which, it said, produced *84 per cent of its income.*

M & A in a European perspective. A selection of 12 Mergers and Acquisitions among the 65 transactions completed by Paribas in 1988.

January 1988

ORKEM SA
(formely CdF Chimie SA)
has sold its subsidiary
LORILLEUX INTERNATIONAL SA
to
COATES BROTHERS plc
in exchange for shares and made a partial offer to increase its shareholding in Coates Brothers plc from 33 to 40 percent

Banque Paribas Capital Markets (London) and Banque Paribas (Paris) acted as financial advisers to Orkem SA and arranged the completion of these transactions.

June 1988

AKZO (Netherlands)
and
KALI-CHEMIE (Germany)
through a public offer acquired 95% of the shares of
EUROPÉENNE DE SOUFRES INDUSTRIELS (E.S.I.)

Paribas acted as financial adviser to the Compagnie Chambon, a 48% shareholder in E.S.I., in this transaction.

December 1988

JAMES RIVER Corporation (U.S.)
and
KAYSERSBERG (France)
have acquired a 50% shareholding in
IPEK KAGIT (Turkey)

Paribas initiated the transaction and assisted James River and Kaysersberg in the negotiations.

April 1988

MATRA COMMUNICATION SA
has acquired
DFG
Deutsche Fernsprecher Gesellschaft

Paribas arranged the acquisition and acted as financial adviser to Matra Communication during the negotiations.

February 1988

BORAX FRANÇAIS
a subsidiary of
R.T.Z. Corporation plc
through a public offer has acquired 91% of the shares of
TALCS DE LUZENAC

Paribas initiated the transaction and assisted R.T.Z. in the negotiations.

February 1988

AIR PRODUCTS AND CHEMICALS INC.
has acquired
LA MANUFACTURE ALSACIENNE DES TABACS
and
OXYGÈNE LIQUIDE DE STRASBOURG

Paribas acted as financial adviser to the Air Products group and arranged the completion of these transactions.

April 1988

CAP GROUP plc
has merged with
SEMA-METRA
to create
SEMA GROUP

Paribas acted as financial adviser to Sema-Metra during the negotiations.

September 1988

SCHNEIDER SA
through a public offer has acquired
TÉLÉMÉCANIQUE SA

Paribas acted as adviser to the Schneider Group and arranged the completion of the transaction.

March 1988

GRANADA Group plc
has acquired a 76% interest in
KAPY SA (Spain)

Paribas acted as financial adviser to the shareholders of Kapy in this transaction.

May 1988

RÉMY & ASSOCIÉS
through its subsidiary Gestion Mobilière has sold its controlling interest in
ÉTABLISSEMENTS NICOLAS
to
CASTEL FRÈRES

Paribas acted as financial adviser to the Rémy & Associés Group in this transaction.

October 1988

TRENPORT PROPERTIES Limited
acquisition of property portfolio from
BOND CORPORATION HOLDINGS Limited

Banque Paribas (London) acted as financial adviser on this transaction.

November 1988

ESSELTE (Sweden)
has sold its subsidiary
ESSELTE-WELL
to
TAMPELLA (Finland)

Paribas arranged the sale and acted as financial adviser to Esselte during the negotiations.

Paribas is helping European industry to prepare for 1992.

PARIBAS
3, rue d'Antin, 75002 Paris.

INTERNATIONAL COMPANIES AND FINANCE

Canal Plus in German pay TV venture

By Haig Simonian in Frankfurt and George Graham in Paris

CANAL PLUS, Europe's leading pay television station, has formed a joint venture with Bertelsmann, the West German publisher, to develop a pay channel for the German market.

UFA Film- und Fernseh, Bertelsmann's film and TV subsidiary, and Canal Plus will be joint partners in a new German-registered company, Canal Plus GmbH, which hopes to start broadcasting programmes via the French TDF 1 satellite in the first quarter of next year.

The new channel is expected to show a mixture of new films, cultural sports and "events" programmes, according to Mr Bernd Schiphorst, chief executive of UFA Film- und Fernseh. Charges for the service have not yet been decided, subject to further market research, but are likely to be between DM30 and DM50 ($27m) a month, he said. Subscribers to Canal Plus pay FFr150 ($23.5) a month.

The company claims it will be the first pay TV channel in West Germany, although strictly speaking that accolade goes to Teleclub, the pay TV station set up in 1986 by Bertelsmann, the Munich-based Kirch group and the Springer publishing group.

Bertelsmann and Springer pulled out of Teleclub in 1988, prompting considerable speculation in German media circles about their plans. Meanwhile, Teleclub, currently available on cable systems in a limited number of locations, is gradually expanding its net and hopes to have 30 cities and rural areas hooked up by the end of this year.

The new channel differs in being Germany's first pay TV channel to be broadcast directly by satellite, putting it in a somewhat different league from existing ventures, according to Bertelsmann.

After a slow start in 1985, Canal Plus took off at the end of 1985, reaching its breakeven point of 800,000 subscribers in 1986. It now has around 2.5m subscribers, with a high renewal rate of 94 per cent.

New Fiesta geared to stop Ford's slide

Kevin Done on the US motor group's formula to regain lost ground in Europe

When Ford launched the original Fiesta in 1976 it represented a major gamble by the company as it sought for the first time to break into the European small car market.

The Fiesta was Ford of Europe's first small hatchback, its first supermini, its first modern front wheel drive car, and its first Spanish-built car as it brought into production its new Valencia assembly plant.

The unveiling today of the new generation Fiesta, one of the most important new model launches in Europe this year, can scarcely have the impact of its predecessor on Ford's fortunes, but it does come at a crucial moment in Ford's European development and is the model on which the company is pinning great hopes for arresting its declining market share.

In the last two years with an ageing model line-up Ford has dropped back from third to fourth place in the European sales league behind Volkswagen, Fiat and Peugeot.

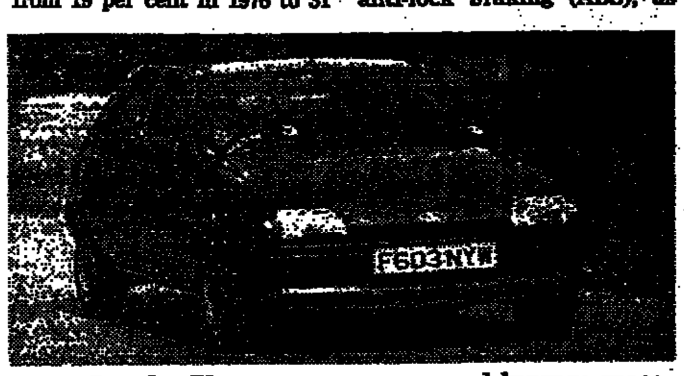
The new Fiesta range will also open up significant new market opportunities for Ford, particularly in southern Europe, the traditional small car domain of Fiat, Peugeot and Renault.

The existing 13-year-old Fiesta range has been severely hampered by the lack of a five-door derivative. The Fiesta was overtaken during the early 1980s by a crop of competitors, most importantly the Fiat Uno, the Peugeot 205 and the Renault 5.

Five-door models account for fully 35 per cent of the small car market in Europe, and Ford has hitherto been unable to compete at all in this important area. It has also lacked a high-roof van derivative, the main seller in the market for small car-derived vans.

With the unveiling today of its new Fiesta range, developed over five years at a cost of more than £550m ($962m), Ford will finally be able to compete head on in one of the fastest-growing segments of the European car market.

According to Mr Heinz Soiron, the man who has led the Fiesta development project as director of Ford of Europe's small and medium car programmes, the small car market in Europe – the so-called B segment – has almost doubled in size in little more than a decade from 1976 to 1987 from 1.8m to 3.6m units. At the same time the B segment's share of the total market has grown from 19 per cent in 1976 to 31 per cent in 1987.



Fiesta Popular Plus: more passenger and luggage space

The growth has come from young first time buyers, able to buy new first time instead of second hand, it has come especially in the small car dominated markets of southern Europe where car demand in any case has been growing faster than in northern Europe, and it has come from the big increase in women drivers and in two- and three-car families. According to Mr Soiron 45 to 50 per cent of the principal drivers – as against the owners – of small cars are women.

With the new Fiesta, Ford has followed the industry trend towards slightly larger superminis – the wheelbase is about six inches longer than its predecessor – and it will be available in both three-door and five-door versions, on sale from April in a pan-European launch, with performance and turbo-charged versions introduced later in the year.

Ford has sought to answer criticism of the old Fiesta by increasing the amount of usable luggage space by 45 per cent and it claims to have achieved the biggest passenger space of any small car in its class.

The Fiesta range will offer a choice of five petrol engines from 1.0 to 1.6 litres, as well as a 1.8 litre diesel. The larger engines and the transmissions will be common to the new Fiesta and the existing Escort range.

Ford is seeking to set the pace in the range of options offered with a new car and is breaking some new ground by offering features which have hitherto been the exclusive preserve of larger cars, such as anti-lock braking (ABS), as well as central locking, power operated windows and stereo systems developed from the Sierra and Granada/Scorpio ranges.

Production locations for the new Fiesta reflect very much the fact that Ford has the broadest European manufacturing presence of any of the leading vehicle makers.

The car will be assembled at three locations, Valencia in Spain, Dagenham in the UK and Cologne in West Germany. Engines for the car will be drawn from Bridgend in South Wales, Dagenham and Valencia, while transmissions will come from Ford plants in Bordeaux, France, and Cologne and some major plastic components such as the instrument panels will be sourced from West Berlin.

Ford claims that it has made sweeping changes to its basic manufacturing processes at the three assembly plants, as well as at the Berlin plastics plant, with improvements in stamping, body construction, plastics, trim, assembly and materials handling.

Manufacturing investment, including power train (engines and transmissions), has accounted for as much as £439m of the total £550m Fiesta spending programme.

For the new Fiesta, Ford has dramatically increased levels of robotisation and automation in the body assembly. The level of flexible automation has been tripled, while manual welding has been cut by two-thirds.

The number of robots in place at the three assembly plants for the new model has been increased by 400 per cent to 298 from 73 for the old Fiesta range.

At the same time in the design and engineering stage, computer aided design (CAD) and computer aided manufacturing (CAM) techniques have helped reduce the number of spot welds required to complete the body by 14 per cent from 3,580 to 3,073.

In common with most car makers Ford has also adopted the technique of "doors-off assembly" for the new Fiesta. The doors are painted and fully assembled separately away from the main line, allowing better access to the car during most of the assembly process.

With the launch of the new Fiesta, Ford has significantly increased its small car ambitions. With the old car it was lying in fourth place in the West European small car market. According to Ford figures the Fiesta captured 3.2 per cent of the total West European car market of 12.1 m units in 1987 compared with the dominant 5.8 per cent taken by the Fiat Uno, and the 4.1 per cent each claimed by the Renault R5 and the Peugeot 205.

Behind these four the Opel Corsa/Vauxhall Nova captured a share of 2.2 per cent, Volkswagen's ageing Polo 1.7 per cent, the Citroen AX 1.4 per cent and the Rover Group's Metro, a significant competitor only in the UK. Ford's single biggest market in Europe, 12 per cent.

Annual Fiesta sales never broke the 400,000 units barrier – the best year was 1987 at 382,490 – but the company has now installed a capacity that suggests much bigger ideas for the new car.

Ford said yesterday that "the total European daily production rate will be more than 2,800 per day by the end of 1989," which suggests an annual output of more than 600,000 units, close to the peaks achieved by Europe's best-selling supermini, the Fiat Uno.

The company has been very wary about issuing sales forecasts for the new car, but in terms of production capacity it has disclosed that Fiesta capacity at Cologne is being increased from 720 to 820 a day. At Dagenham capacity is set to rise from 650 a day to 800 later this year and to 1,104 by the the first quarter next year. At Valencia, Fiesta capacity is being increased from 900 to 1,100 a day.

It remains to be seen how much of this capacity will be required, but the new range will ultimately be able to target the whole of the European small car market once a new product – a high roof Fiesta van – is introduced in 1991 with assembly only in Dagenham.

Importantly Ford has used the Fiesta programme to break new management ground, introducing for the first time so-called programme management.

LEGAL NOTICES

No. 007411 of 1988
IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION

Re: TARMAC PLC
-and-
Re: THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated the 23rd day of January 1989 confirming the reduction of the Capital of the above-named Company from £480,200,000 to £480,000,000 was registered by the Registrar of Companies on the 30th day of January 1989.

DATED the 30th day of January 1989

LINKLATERS & PAINES (DBC)
Solicitors for the Company

INTERNATIONAL COMPANIES AND FINANCE

Arab Bank advances earnings by 46.9%

By Rami Khouri in Amman

ARAB BANK, the leading Jordanian bank, showed a sharp increase in its domestic currency earnings last year and stable profits from its worldwide banking operations.

The parent bank increased its net profits 46.9 per cent to JD35.1m (US$70m). Total assets rose 41.5 per cent to JD4.57bn.

Mr Abdulmajeed Shoman, chairman, said the figures partly reflect a sharp decline in the exchange value of the dinar last year, and the fact that the majority of bank net income now comes from international business.

The worldwide Arab Bank group, which also includes two dozen subsidiaries, associated companies and sister institutions, reported 1988 net income of $80.9m compared with $82m the previous year. Mr Shoman said this largely reflected the year-end decline against the dollar of the group's two main reporting currencies, the Swiss franc and the dinar.

Group assets increased slightly, from $13.27bn to $13.40bn. The group's adherence to conservative banking policies is evident in last year's very high liquidity ratios of 82 per cent for the bank and 87.9 per cent for the group.

Mr Shoman released figures which showed that more than two thirds of the bank's assets and capital were now deployed in Europe, North America and the Far East, effectively making Arab Bank an international financial services company with its headquarters in the Arab world but its most important operations abroad.

Europe emerged in 1988 as the bank's single biggest market, accounting for 53.2 per cent of group assets, followed by the Middle East and North Africa (32.1 per cent, of which Jordan represented 11.4 per cent), the Asia-Pacific (8.6 per cent) and North America (6.1 per cent).

Shareholder equity increased by 15.2 per cent to JD208m for the parent bank, which reported a primary capital/assets ratio of 5.7 per cent and a risk-adjusted capital ratio, under Bank for International Settlements guidelines, of more than 12 per cent.

Arab Bank, established in Jerusalem in 1930, now has 63 outlets in the Middle East and 15 overseas branches, eight offshore banking units and representative offices, and 12 subsidiaries and other associated companies.

Correction

Elders Resources

A NZ$100m exposure to Equiticorp International was incorrectly attributed to Elders Resources NZFP in the Financial Times of January 24. The loan was in fact made by a subsidiary of Elders IXL, which owns 42.6 per cent of Elders Resources.

FAI profits hit by slide in income from share deals

By Chris Sherwell in Sydney

FAI INSURANCES, Australia's largest general insurer and an aggressive equity investor, has been hit by a slump in profits after a slide in income from share market deals swamped a rise in sales.

Results for the six months to December, released yesterday, showed net profits of A$36.3m (US$32.4m), down 20 per cent from A$45.37m in the same period last year.

Mr Rodney Adler, now chief executive following the recent death of his father Mr Larry Adler, insisted the results were "most satisfactory" and said directors "view the continued growth of the group with confidence."

The 1987 figure included profits from several lucrative share deals, including the sale of a 15 per cent stake in Hill Samuel, the UK merchant bank, for a A$180m gain, and in Australia the sale of 19 per cent of Pioneer Concrete and 6 per cent of Ampol for A$194m profit.

Offsetting these gains was a deduction of some A$87m for foreign exchange losses, in line with new accounting standards.

The latest figures show a slight fall in underwriting profit to A$2.1m from A$2.4m, but give no details about the precise source of the remaining profit nor about foreign exchange losses or gains.

Significantly, however, while mainstream sales have risen to A$279m from A$223m, "other income," which is presumed to include revenues from share market activity, fell sharply to A$49m from A$112m.

Despite its fall in earnings per share to 16.4 cents from 55.7 cents, the company declared an increased fully-franked dividend of 5 cents per share, up 1 cent.

HKR considers fresh Bond bid

By John Elliott in Hong Kong

HKR PROPERTIES of Hong Kong said yesterday that it might make a fresh offer to buy all or part of Bond Corporation International, the local subsidiary of Mr Alan Bond's Australian business empire, following the rejection of a HK$3.6bn (US$461.5m) conditional bid it launched last weekend.

HKR's aim is to encourage minority shareholders in BCI to reject a HK$2.20 a share offer made by Mr Bond, who wants to buy out the 33.8 per cent of the company he does not already own. The HKR bid is worth HK$3 a share.

HKR said last night it would not make a new offer until that meeting had taken place.

This was apparently aimed at encouraging shareholders to believe there could be better offers available later if they rejected the HK$2.20 buy-out offer.

● Dallhold Investments, Mr Bond's family company, and its associates have increased their stake in Bond Corporation Holdings to 61.86 per cent from 57.25 per cent, Reuter reports from Perth.

Dallhold said in a notice to the Perth Stock Exchange that the interest totalled 261.66m shares. It bought 14.95m shares in the market at A$1.79 to A$2.10 between August and December last year. Bond shares closed at A$1.60 yesterday.

US group sells South African mine

By Jim Jones in Johannesburg

ANGLOVAAL, the South African mining group which this week agreed to purchase a 29.9 per cent interest in the UK-headquartered North Sea & General mining company, has followed that deal with the acquisition of an American-owned chrome mine in South Africa.

The company has given no details of operations at Lavino chrome mine bought for R78m ($20m at the financial rand exchange rate) from the US conglomerate Aimcor.

However, analysts believe the mine produces between 200,000 tonnes and 400,000 tonnes of chrome ore a year which it sells as lumpy ore or concentrates.

The mine employs about 300 people. Aimcor is divesting completely from South Africa.

Anglovaal's other chrome interests are held indirectly through Associated Manganese, one of South Africa's largest ferro-alloy producers.

Rise in building activity boosts Anglo-Alpha

By Jim Jones

GREATER activity in South Africa's construction and building industries combined to lift the sales last year of Anglo-Alpha, the cement producer controlled by the Swiss Holderbank group.

Turnover increased to R531m ($473.9m) from R418m and pre-tax profits were R139.3m against R81.3m. The greatest sales growth was recorded by the cement division, which lifted turnover by 48.3 per cent to R269m. Stone sales rose by R19.4m to R109m while the industrial division's turnover increased by 30.6 per cent to R171m.

The directors do not comment on prospects for the current year. Last year's net earnings were 257.4 cents a share against 1987's 185.5 cents and the dividend was increased to 95 cents from 70 cents.

● Carlton Paper, the South African subsidiary of Kimberly-Clark of the US, lifted sales and profits last year but is cautious on prospects for 1989.

Turnover was R258m against R222m and the pre-tax profit rose to R28.9m from R14.8m. The directors attribute the improved performance to strong volume growth, productivity gains and effective cost controls.

They have budgeted for a further profit increase this year but warn that disposable incomes will fall as consumers are faced with increased inflation and interest rates.

Net earnings rose to 95.1 cents a share from 45.1 cents and the year's dividend has been lifted to 52 cents from 25 cents.

Bridgestone to build $350m tyre plant in US

By Ian Rodger in Tokyo

BRIDGESTONE, the leading Japanese tyre maker, will build a $350m radial tyre plant in Tennessee to meet rising demand for its truck and bus tyres.

The company, which acquired Firestone Tire of the US last year, has built up a 12 per cent share in the US truck and bus tyre market in recent years and anticipates further growth. Firestone has a 5 per cent share of this sector. "We are suffering from a shortage of capacity in the US," a Bridgestone official said yesterday.

In 1983, Bridgestone bought a tyre plant from Firestone, also in Tennessee. It has been making both its own and Firestone brand truck tyres there and, more recently, car tyres.

Construction of the new plant is to begin later this year and commercial production is to start early in 1991. Bridgestone will make both Firestone and Bridgestone branded tyres at the new plant.

The output is also expected to displace exports from Japan, which now represent about 20 per cent of Bridgestone's truck and bus tyre sales in the US.

● Fuji Heavy Industries is to inject $20m into the New Jersey-based Subaru of America (SOA) by purchasing non-voting preferred shares from SOA at $400 a share, Reuter adds.

An official of Fuji Heavy, which makes the Subaru, said SOA made a net loss of $57.9m in the year to last October. This was because of the strong yen and an absence of model launches.

Fuji owns 49.6 per cent of SOA, the rest is locally owned. Fuji will dispatch one of its executives to SOA as vice chairman. Its representation on the SOA board will rise to seven directors out of 12 from the previous five out of 10.

CANADIAN OXY

NOTICE TO HOLDERS

CANADIAN OCCIDENTAL PETROLEUM LTD.

Can $60,000,000
RETRACTABLE DEBENTURES DUE 1999
Resetting of Interest Rate

NOTICE IS HEREBY GIVEN that, pursuant to paragraph 4(b) of the Terms and Conditions of the above described Debentures (the "Debentures"), Canadian Occidental Petroleum Ltd. (the "Company") has elected to reset the interest rate in respect of the Debentures for the five year period beginning on March 1, 1989 at 0.95% per annum above the annual yield equivalent on the bid rate for Government of Canada 10¼% bonds due February 1, 1994. The new rate shall be published on February 16, 1989.

Redemption of Debentures at Debenture Holders Election

The Holder of any Debenture may, pursuant to paragraph 5(c) of the Terms and Conditions of the Debentures, elect to have his Debenture redeemed by the Company on March 1, 1989, at 100% of its principal amount. In accordance with the Terms and Conditions of the Debentures, such election shall be irrevocable and must be made by giving notice of such election in the prescribed form accompanied by such Debenture to any of the Paying Agents on or before February 22, 1989. The prescribed form will be available at the office of each of the Paying Agents set forth below.

Offer to Purchase Debentures by Company

As permitted by paragraph 5(e) of the Terms and Conditions of the Debentures, the Company hereby offers to all Debenture Holders alike to purchase their Debentures on March 1, 1989 at 100.1% of their principal amount. This offer may be accepted by the Debenture Holder completing the acceptance provisions in the form of the Company's offer (available at the office of each of the Paying Agents set forth below) and returning it together with the Debentures to be sold to the Company to any of the appropriate Paying Agents on or before February 22, 1989.

Principal Paying Agent

Orion Royal Bank Limited,
71 Queen Victoria Street, London EC4V 4DE, England

PAYING AGENTS

Hambros Bank Limited
41 Tower Hill
London, EC3N 4HA
England

The Royal Bank of Canada
Royal Bank Plaza
Toronto, Canada M5J 2J5

The Royal Bank of Canada (Belgium) S.A.
Rue de Ligne 1
B-1000 Brussels, Belgium

The Royal Bank of Canada A.G.
Gutleutstrasse 85
6000 Frankfurt/Main 1
Federal Republic of Germany

The Royal Bank of Canada (France) S.A.
3 Rue Scribe
75440 Paris
France

The Royal Bank of Canada (Suisse)
Rue Diday 6
1204 Geneva
Switzerland

Banque Internationale à Luxembourg S.A.
2 Boulevard Royal,
Luxembourg Ville,
Luxembourg

Coupons which mature on or prior to March 1, 1989 should be detached and presented for payment in the normal fashion.

Any United States person (as defined in the United States Internal Revenue Code) who holds Debentures will be subject to limitations under United States Income Tax Laws, including the limitations provided in sections 165(j) and 1232(c) of such code.

DATED: 3RD FEBRUARY, 1989

ORION ROYAL BANK LIMITED
A member of The Royal Bank of Canada Group

MB Group

NOTICE OF ADJOURNED MEETING of the Holders of Warrants in registered form exercisable into the shares of MB Group plc

NOTICE IS HEREBY GIVEN that a Meeting of the holders (the "Warrant Holders") of the above mentioned warrants (the "Existing Warrants") convened by Banque Indosuez Luxembourg (the "Bank") on Wednesday, 1st February, 1989 by the Notice of a Meeting published in the Financial Times and other newspapers on 9th January, 1989 was adjourned by resolution of the Warrant Holders voting at the Meeting in person or by proxy and that the adjourned Meeting of the Warrant Holders will be held at 10.15 a.m. (London time) on Wednesday, 15th February, 1989 at Ironmongers' Hall, Shaftesbury Place, Barbican, London EC2 (entrance in Aldersgate Street), for the purpose of considering and, if thought fit, passing the following Resolution which will be proposed as an Extraordinary Resolution in accordance with the Provisions of the Deed Poll dated 15th July, 1986 (the "Deed Poll") made by the Bank, constituting the Existing Warrants.

The purpose of the Extraordinary Resolution is to permit the implementation of a proposal to Warrant Holders (the "Proposal") details of which are contained in an Explanatory Statement to Warrant Holders dated 9th January, 1989. The Proposal has been made in connection with the proposed merger of existing MB Group's packaging business with Carnaud S.A. (the "Merger"). Full details of, and the reasons for, the Merger are contained in an Explanatory Circular also dated 9th January, 1989. Copies of the Explanatory Circular and the Explanatory Statement to Warrant Holders are available from the offices of the Warrant Registrar and Receiving Agents as specified below.

EXTRAORDINARY RESOLUTION

The Resolution to be proposed at the Meeting is as follows:—

"THAT this Meeting of the holders (the "Warrant Holders") of the outstanding warrants (the "Existing Warrants") of Banque Indosuez Luxembourg (the "Bank") constituted by a deed poll (the "Deed Poll") *dated 15th July, 1986 by the Bank hereby:*

(i) assents to the alteration, abrogation, variation or compromise of the terms and conditions of the Existing Warrants (as printed on the reverse thereof and in the First Schedule to the Deed Poll, the "Conditions") proposed in paragraph (B) of the Explanatory Statement issued by the Bank and dated 9th January, 1989 (the "Explanatory Statement") a copy of which has been produced to this Meeting and initialled by the Chairman hereof for the purpose of identification;

(ii) assents to the reduction of the Subscription Price (as defined in the Deed Poll) of the Existing Warrants to 157 pence with effect from and including the day following the date upon which this Resolution is passed until 3.00 p.m. on 20th February, 1989. Thereafter, the Subscription Price shall be restored to such amount as the Subscription Price would have been but for such reduction;

(iii) assents to the suspension of the right to exercise the Warrants (the "Exercise Right") from 3.00 p.m. on 20th February, 1989 to and including the earlier of the Effective Date of the Scheme of Arrangement (as defined in the Explanatory Statement) and 1st May, 1989. If the Effective Date (as defined in the Explanatory Statement) has not occurred on or before 1st May, 1989, the Exercise Right shall be restored with effect from 2nd May, 1989;

(iv) agrees that if the Effective Date falls on or before 1st May, 1989, the Existing Warrants shall be exchanged for New Warrants (as defined in the Explanatory Statement) of the Bank exercisable into ordinary shares of new MB Group (as defined in the Explanatory Statement)."

AVAILABILITY OF DOCUMENTS

Warrant Holders are reminded *of the section entitled "Availability of Documents" in the Notice of* Meeting published on 9th January, 1989. The forms of certain documents therein referred to have been amended and copies of such amended forms (which in all cases are subject to completion and amendment) *may be inspected at and may be obtained by Warrant Holders from the specified offices* of the Warrant Registrar or the Receiving Agents.

This Notice of Meeting shall not be deemed to have been given in jurisdictions where the giving of such notice is prohibited by applicable law.

WARRANT REGISTRAR
Banque Indosuez Luxembourg
39 Allée Scheffer
L-2520 Luxembourg

RECEIVING AGENTS

Banque Indosuez Luxembourg
39 Allée Scheffer
L-2520 Luxembourg

Bankers Trust Company
Dashwood House, 69 Old Broad Street
London EC2P 2EE

NOTICE OF ADJOURNED MEETING of the Holders of MB Group plc £65,000,000 5¾ per cent Subordinated Convertible Bonds Due 2002

NOTICE IS HEREBY GIVEN that a Meeting of the holders (the "Bondholders") of the above mentioned bonds (the "Existing Bonds") convened by MB Group plc ("existing MB Group") for Wednesday, 1st February, 1989 by the Notice of a Meeting published in the Financial Times and other newspapers on 9th January, 1989 was adjourned through lack of quorum and that the adjourned Meeting of the Bondholders will be held at 11.15 a.m. (London time) (or so soon thereafter as the Meeting of the Holders of the Warrants exercisable into ordinary shares of MB Group plc and constituted by a deed poll dated 15th July, 1986 by Banque Indosuez Luxembourg convened for the same day and place shall have been concluded or adjourned) on Wednesday, 15th February, 1989 at Ironmongers' Hall, Shaftesbury Place, Barbican, London EC2 (entrance in Aldersgate Street), for the purpose of considering and, if thought fit, passing the following Resolution which will be proposed as an Extraordinary Resolution in accordance with the provisions of the Trust Deed dated 28th April, 1987, made between existing MB Group and The Law Debenture Trust Corporation p.l.c. as trustee (the "Trustee"), constituting the Existing Bonds.

The purpose of the Extraordinary Resolution is to permit the implementation of a proposal to Bondholders (the "Proposal") details of which are contained in an Explanatory Statement to Bondholders dated 9th January, 1989. The Proposal has been made in connection with the *proposed Merger of existing MB Group's packaging business with Carnaud S.A. (the "Merger").* Full details of, and the reasons for, the Merger are contained in an Explanatory Circular also dated 9th January, 1989. Copies of the Explanatory Circular and the Explanatory Statement to Bondholders are available from the offices of the Trustee and the Paying and Conversion Agents, as specified below.

EXTRAORDINARY RESOLUTION

The Resolution to be proposed at the Meeting is as follows:—

"THAT this Meeting of the Holders (the "Bondholders") of the £65,000,000 5¾ per cent Subordinated Convertible Bonds Due 2002 (the "Existing Bonds") of MB Group plc ("existing MB Group") constituted by a Trust Deed (the "Trust Deed") dated 28th April, 1987 made between existing MB Group and The Law Debenture Trust Corporation p.l.c. as Trustee (the "Trustee") hereby:

(i) assents to the alteration, abrogation, variation or compromise of the terms and conditions of the Existing Bonds (as printed on the reverse thereof and in the First Schedule to the Trust Deed, the "Conditions") proposed in paragraph (B) of the Explanatory Statement issued by existing MB Group and dated Monday, 9th January, 1989 a copy of which is being produced to this Meeting and initialled by the Chairman hereof for the purpose of identification;

(ii) assents to the suspension of the Conversion Right (as defined in Condition 4 of the Existing Bonds, the "Conversion Right") from 3.00 p.m. on 20th February, 1989, to and including the earlier of the Effective Date of the Scheme of Arrangement (as defined in the Explanatory Circular) and 1st May, 1989, and if the Effective Date occurs on or before 1st May, 1989, the cancellation of the Conversion Right on the Effective Date;

(iii) agrees that if the Scheme of Arrangement shall be approved and the Effective Date shall occur *on or before 1st May, 1989, the Existing Bonds shall be automatically exchanged on the* Effective Date for New Bonds (as defined in the Explanatory Statement) of new MB Group (also as so defined)."

QUORUM

The attention of Bondholders is particularly drawn to the quorum required for an adjourned Meeting, which will be two or more persons present in person holding Existing Bonds and/or voting certificates and/or being proxies and holding or representing not less than one-third in principal amount of the Existing Bonds for the time being outstanding. In view of the quorum requirements, Bondholders are requested to exercise their right to vote on the Proposal and their attention is drawn to the section entitled "Action to be Taken" on page 3 of the Explanatory Statement to Bondholders dated 9th January, 1989.

AVAILABILITY OF DOCUMENTS

Bondholders are reminded of the section entitled "Availability of Documents" in the Notice of Meeting published on 9th January, 1989. The forms of certain documents therein referred to have been amended and copies of such amended forms together with the form of the First Supplemental Trust Deed to permit the suspension of the Conversion Right referred to under the section entitled "B. The Proposal" in the Explanatory Statement (which forms are in all cases subject to completion and amendment) may be inspected at and may be obtained by Bondholders from the specified offices of the Trustee and the Paying and Conversion Agents.

This Notice of Meeting shall not be deemed to have been given in jurisdictions where the giving of such notice is prohibited by applicable law.

PRINCIPAL PAYING AND CONVERSION AGENT
Bankers Trust Company
Dashwood House, 69 Old Broad Street, London EC2P 2EE

PAYING AND CONVERSION AGENTS

Swiss Bank Corporation
1 Aeschenvorstadt, CH-4002 Basle

Banque Internationale à Luxembourg S.A.
2 Boulevard Royal, L-2953 Luxembourg

TRUSTEE
The Law Debenture Trust Corporation p.l.c.
Princes House, 95 Gresham Street, London EC2V 7LY

This announcement appears as a matter of record only

THE GOVERNMENT OF ISRAEL
for
THE STATE OF ISRAEL
(as borrower)

US$50,000,000

MEDIUM TERM LOAN FACILITY

Initiated and syndicated by

THE LONDON BRANCH
UNITED MIZRAHI BANK LIMITED

FINSBURY HOUSE, 23 FINSBURY CIRCUS, LONDON EC2M 7UB. TEL: 01-628 7040. TELEX: 896654/5 UMB G.

January 1989

INTERNATIONAL CAPITAL MARKETS

Big demand for Kellogg and BP America issues

By Andrew Freeman

TWO HIGHLY successful US dollar deals lifted spirits in the Euromarkets yesterday. The combination of quality corporate borrowers and correct pricing led to strong demand for issues by Kellogg and BP America, coming at opposite ends of the maturity spectrum.

Goldman Sachs won Wednesday's bidding contest and was the lead manager for a $200m deal for Kellogg. The three-year paper carries a 9⅜ per cent coupon and was priced at 101.40 per cent to yield 19 basis points over the equivalent US Treasury.

There was intense demand from a broad range of institutional and retail investors. An enthusiastic trader described the issue as "a blow-out." The bonds were quoted by the lead manager at less 1.30 bid, well within full fees of 1⅞ per cent. The issue proceeds were not swapped.

Equally sought after was a $200m deal, increased to $250m, for BP America which was brought to the market by Morgan Stanley. The mandate was awarded at midday and, according to the lead manager, more than half the paper had been sold within an hour.

The bonds, which are non-callable, mature on March 1 1999 and carry a 9⅝ per cent coupon. They were priced on launch at 101½ per cent to yield 62 basis points over US Treasuries and were quoted by the lead manager at less 1.70 bid, comfortably within total fees of 2 per cent.

INTERNATIONAL BONDS

The cost of funds to the borrower was said to be very favourable compared with a Yankee issue, in spite of the launch spread which was described by several traders as generous. The issue proceeds were said to have not been swapped.

Initial demand was entirely European, with Japanese interest expected to follow overnight. However, the clamour for paper encouraged the borrower to increase the issue size by $50m, expanding the allocations to co-managers.

These deals gave the Euromarket a strong boost, and sentiment was further strengthened by the placing of two Japanese equity warrant issues which both rushed to healthy premiums.

Elsewhere, Swiss Bank Corporation was the lead manager for a A$60m issue for the State Bank of New South Wales. The five-year bonds carry a record 16⅜ per cent coupon and were launched at 101.40 to yield 23 basis points over one-year Australian government bonds.

In late trading, they were quoted at less 1.08 bid, reflecting strong demand from a range of European investors unable to resist the coupon.

The issue repeats a structure devised by SBC last year, featuring an investor put option after one year. The coupon is re-fixed annually against the yield on one-year government bonds, allowing investors to exercise their put option if wanting to switch out of the issue.

Late in the day Daiwa Europe launched a similar $100m 10-year callable issue for Swedbank. The coupon was an impressive 10½ per cent, with Japanese interest again expected to underpin demand.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
BP America(a)♦	200	9⅝	101½	1999	1⅞/1⅝	Morgan Stanley
Kellogg Co.♦	200	9⅜	101.40	1992	1⅛/⅝	Goldman Sachs Int.
Nippon Mining Co.♦	500	(4½)	100	1993	2⅛/1½	Nikko Secs.
Keio Teito Elec.Rail♦	200	(4⅜)	100	1993	2⅛/1½	Nomura Int.
Toronto Dominion♦	100	10	101⅞	1999	1⅞/1⅝	Morgan Stanley
Finnish Export Cr.♦	150	9⅜	100	1990	⅜/⅛	Yamaichi Int.
Swedbank♦	100	10½	102	1999	1⅞/1⅝	Daiwa Europe
CANADIAN DOLLARS						
Bk.Montreal(Singapore)♦	100	11⅛	101.30	1991	⅜/¼	Bk. Montreal Cap.Mkts.
AUSTRALIAN DOLLARS						
St.Bk.New Sth.Wales♦	60	16⅜	101.40	1994	1⅜/1	SBC
D-MARKS						
Republic of Ireland♦	300	6½	100	1999	1¾/1	Commerzbank
SWISS FRANCS						
Mitsui Toatsu Chem.(b)§	200	(⅛)	100	1993	1⅝	SBC
YEN						
Bergen Bank SA♦	10bn	5	101⅝	1993	1¼/⅝	Nomura Int.

¶With equity warrants. §Convertible. ♦Final terms. a)Possible to increase to $250m. b)Indicated put option on 31/3/91 at (104¾) to yield (2.70).

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on February 2

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	*†93½	94	0	0	9.97
A/S Eksportfinans 7¼ 92	150	93⅝	94	0	0	9.82
B.F.C.E. 7 92	150	92⅝	92¾	0	−0⅛	9.81
Brit. Tel. Fin. 9⅞ 98	250	98⅞	99⅜	−0	+0⅛	9.50
Canada 9 96	1000	98⅝	99	−0¼	−0¼	9.27
Canadian Pac 10¼ 93	100	†101¾	102¼	0	0	10.05
C.C.C.E 9¼ 95	300	98½	99	+0⅛	0	9.52
C.N.C.A 9⅞ 93	150	99¼	99⅝	0	0	6.52
Credit Lyonnais 9 91	200	†98⅞	98⅞	0	−0⅛	9.75
Credit National 8¼ 93	200	95¼	95½	0	0	9.62
Credit National 7⅞ 92	100	93⅜	93⅞	0	0	9.75
Credit National 7¼ 91	150	†93⅝	94⅛	0	−0⅛	9.79
Dai-Ichi Kan 9⅝ 92	150	99⅝	100⅛	0	0	9.63
Denmark 7⅛ 92	500	92⅝	93⅛	0	−0⅛	9.85
E.E.C. 7 91	100	93½	94	0	−0⅛	9.61
E.E.C. 7¼ 93	250	92⅛	92½	+0⅛	+0⅛	9.58
E.E.C. 8 90	350	*†97¼	97⅝	0	−0⅛	9.83
E.I.B. 7⅝ 93	100	92¼	92⅝	0	−0⅛	9.62
E.I.B. 9⅞ 97	150	98⅝	99⅛	+0¼	−0½	9.55
Elec. De France 9 98	200	96⅞	97⅛	+0⅛	+0⅛	9.50
Finland 7⅞ 97	200	90½	91	+0⅛	+0⅛	9.58
Finland 7½ 93	200	91⅞	92⅜	+0⅛	−0⅛	9.68
Finn.Exp.Cd. 8½ 92	200	96⅜	96⅞	0	−0⅛	9.79
Ford Motor Credit 8 91	250	†96	96½	0	0	10.01
Gen.Elec.Cap.Corp. 9 93	500	†97⅜	97⅞	0	+0⅛	9.62
Gen Elec Credit 10¼ 00	200	99⅝	100⅛	0	0	10.25
Gen. Mtrs.Corp. 9⅛ 92	200	98	98⅜	0	0	9.75
Halifax BS 9½ 93	200	*†98½	99	0	+0⅛	9.83
IBM Credit Corp. 8⅞ 91	250	98¼	98⅜	0	0	9.49
Italy 9 90	1000	†99¼	99⅝	0	−0⅛	9.36
Italy 9½ 95	1000	99⅝	100	−0⅛	0	9.56
L.T.C.B of Japan 8 91	100	95⅝	96⅛	−0	0	9.88
L.T.C.B. of Japan 8 97	200	†90½	91	+0⅛	+0⅛	9.72
Metropolis Tokyo 9½ 93	200	100¼	100⅝	0	+0⅛	9.37
Morgan Guaranty Tst. 7 90	150	†96⅜	96⅞	0	0	10.35
Nippon Tel.&Tel. 9⅝ 98	250	99	99½	0	+0⅛	9.49
Norway 8⅜ 93	500	97	97⅜	0	−0⅛	9.62
Portugal 8⅛ 91	300	†96¼	96⅜	−0⅛	−0⅛	10.13
Prudential Crp. 8⅞ 94	125	96⅜	97	0	−0⅛	9.55
Qantas Airways 10⅝ 95	140	†103¼	103⅝	+0⅛	+0⅛	9.62
Saskatchewan 10¼ 92	100	†102⅜	102⅞	0	0	9.71
State Bk S Aust 9¼ 93	100	†98¼	98¾	+0⅛	+0⅛	9.71
Sumitomo Bank 9⅝ 92	150	†99⅞	100¼	+0⅛	0	9.59
Swed Exp Cred 7¼ 91	100	†93⅞	94¼	0	−0⅛	9.73
Sweden 7 91	250	93½	94¼	0	−0¼	9.73
Sweden 7 92	250	†92⅞	93⅜	0	0	9.72
Sweden 8¼ 96	200	96⅛	96⅝	0	0	9.46
Sweden 8½ 92	200	†96⅞	97⅛	0	0	9.46
Victorian Rep 11⅝ 92	150	104⅝	105⅛	0	−0⅛	9.76
World Bank 7 92	300	†93⅛	93⅝	0	−0⅛	9.66
World Bank 9 97	300	97⅛	97½	0	−0⅛	9.47
World Bank 9¼ 98	300	98½	98⅞	−0⅛	+0⅛	9.46
Yasuda Trust Fin 8½ 93	100	*†95	95½	0	+0⅛	9.85

Average price change... On day 0 on week 0

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	99⅜	99⅞	+0⅛	−1⅛	6.07
Avis Fin.SVS 5⅞ 92	100	96¾	97¼	−1½	−3	6.97
Bank of Tokyo 5¾ 93	100	99⅞	100¼	+0½	−0½	5.75
Central BK. Turkey 7 92	200	102	102½	−0⅛	−0⅞	6.28
Commerzbank o/s. 5⅜ 93	300	98¼	99¼	−0¼	−0½	5.66
Degussa Int. 6½ 97	200	99⅞	100¼	0	0	6.12
E.I.B 5½ 98	150	93¼	94¼	−0⅞	−1	6.38
E.I.B 6 97	300	97⅛	97⅞	0	−1¼	6.39
E.I.B. 6⅛ 96	300	99	99½	+0⅛	−0⅞	6.25
E.I.B. 6⅛ 97	400	98½	99	+0¼	−1	6.32
E.I.B. 6⅞ 95	300	102⅝	103⅛	−0⅛	−1¼	6.33
Euro.Coal& Steel 5⅞ 97	175	96¼	96¾	0	−1⅛	6.45
Eurofima 6¼ 96	100	99⅞	100⅜	0	+0⅛	6.22
Elec De France 5¾ 97	300	96⅝	97⅛	−0¼	−0⅞	6.23
Forsmark Krtg. 5⅛ 93	200	97½	98	+0⅛	+0¼	5.76
I.A.D.B. 6 97	200	96⅞	97⅜	0	−1⅛	6.45
Japan Dev. Bk. 5⅜ 95	300	†97⅛	97⅞	−0⅛	−0½	5.83
Japan Finance 5¾ 97	100	95¼	95¾	0	−1	6.48
Ireland 6½ 97	300	99¼	99¾	−0½	−0⅞	6.57
Malaysia 6¼ 94	150	99½	100	0	−0⅞	6.30
Nat. West BK. PLC 6 98	300	†96½	97	−0¼	−0⅞	6.47
N.H.L. Finance 6¼ 95	200	†99½	100	0	−0⅛	6.29
Nippon Telg.&Tel. 6 95	400	†99	99½	−0⅝	−1¼	6.14
Oesters. Kontbk. 5 93	300	96½	97	+0¼	−1¼	5.94
Portugal 5¾ 92	150	99¼	99¾	0	−0¼	5.90
Portugal 6⅝ 95	150	100½	101	0	−0⅛	6.47
Privatbanken 5¼ 93	150	96	96½	0	−0⅞	6.32
Royal Insurance 5½ 92	300	98⅝	99⅛	−0⅛	−1¼	5.89
Soc Cent Nuclear 7¼ 95	150	104	104½	−0¼	−0⅞	6.41
Turkey 6½ 95	500	†97¼	97¾	−0¼	+0⅛	7.00
Westlb. Finance 5 93	200	*†97¼	97¾	0	−1¼	5.70
World BK. 6¼ 97	600	99⅜	99⅞	0	−1	6.35

Average price change... On day −0⅛ on week −0⅞

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5 96	150	†97	98½	+0½	−1	5.37
Asfinag 5 03	100	†95	96	0	−1⅝	5.45
B.F.C.E. 4½ 98	200	†95	95½	+0½	−1	5.14
B.M.W.Fin.Neth. 5 13	150	†91¼	92½	−1½	−1⅝	5.61
Britannia B/S. 4¼ 94	100	†92	94	−2	−2⅜	5.80
CIR. Int. W/W 3 93	125	†97	97¾	−0⅞	+1	3.71
Credit Lyonnais 4¾ 00	100	†92½	93½	−1½	−2⅞	5.60
E.I.B 4⅝ 98	150	†93¼	94	+0⅞	−2⅛	5.51
Fletcher Chall. 4⅞ 98	150	†94	94¾	−1⅛	−0⅞	5.71
Kobe City 4⅝ 98	150	†93½	94½	−1¼	−2	5.45
Leeds Perm. B/S. 4⅛ 93	200	†92½	93	−0½	−3¼	6.13
Malaysia 5¼ 98	100	†94	95	0	−0⅞	6.03
Maxwell Comm.Grp. 5 95	150	†97½	98	−0¼	−1⅛	5.42
Nat.Bk. Hungary 5½ 94	75	†96	96½	0	−1	6.28
Nationwide Ang.B/S. 4 93	200	†94½	95	−0¼	−0⅛	5.37
Nippon Telg.&Tel.4¼ 95	200	†95	95½	−0⅜	−1½	5.11
Oesters.Ktbk. 5 03	75	†94¼	94½	−0⅞	−3⅛	5.57
Prov. NewFoundland 5 03	150	†96	97	−1⅝	−2⅜	5.35
Thailand 4⅝ 95	200	†90	90¼	0	−4	6.55
World Bank 5 03	150	†95½	96	−0½	−2½	5.43

Average price change... On day −0½ on week −1⅜

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅛ 92	55	101⅛	101⅝	−0⅛	−0¼	4.86
Belgium 4⅝ 94	45	98⅛	98⅝	0	−0⅞	5.00
Canada 4⅞ 92	80	98½	98⅞	−0⅛	−0¼	4.82
Elec. De France 5⅛ 94	20	100½	101	−0⅛	−0⅛	4.95
Ireland 5⅛ 93	30	100	100½	0	0	5.05
Norway 5⅛ 95	50	100⅛	100⅞	0	−0⅛	4.98
Rep. of Italy 5⅜ 92	150	102½	102⅞	−0⅛	−0⅛	4.80
Sweden 4⅞ 93	50	98⅞	99⅛	0	−0⅛	4.88
World Bank 5½ 92	50	102⅞	103⅝	+0⅛	+0⅛	4.57

Average price change... On day 0 on week −0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. BS 10¼ 93 £	50	†97½	98	+0⅛	0	10.97
Alg. Bk. Ned. 5½ 92 FL	150	98	98½	0	−0⅝	6.15
Alg. Bk. Ned. 5¾ 93 FL	200	96¾	97¼	0	−0⅛	6.60
Amro Bank 6⅛ 92 FL	150	98¼	99⅜	0	−1	6.56
Aust.Ind.Dev. 12⅞ 93A$	100	93¼	93½	−0½	−0⅞	15.00
Austria 7½ 94 ECU	100	†97	97½	+0¼	−0½	8.17
Barc. Bk. 10¼ 97 £	250	97⅝	98⅛	+0¼	+0¼	10.62
Barclays Aus.13½ 91 A$	100	96	96½	−0⅜	−1⅜	15.20
BP Capital 9¾ 93 £	100	96⅜	96⅞	+0⅛	0	10.81
British Airways 10 98 £	100	94⅝	94⅞	+0¼	0	10.96
Buhrmann-Tet. 6⅜ 93 FL	100	99⅝	100⅛	0	−0⅞	6.39
Comm.Bk.Aust. 12⅛ 93A$	100	94⅛	94½	−0½	−1½	13.84
Coop.Ctr.Rabo.6¼ 93 FL	100	98⅜	98⅞	0	−0⅝	6.65
Coop.Ctr.Rabo.6 92 FL	200	98⅜	98⅞	0	−0⅝	6.45
Denmark 7¾ 92 ECU	100	99¼	99⅝	0	0	7.94
Dixons 11 95 £	90	*†97¼	98¼	0	0	11.54
Deut. Bk.Aust.12¼ 95 A$	70	†96¼	96¾	−0⅛	−1⅜	13.61
Eastman Kodak 13 90 A$	100	94½	95	−0⅛	−1½	16.92
E.I.B. 7 96 LFr	100	*†97⅞	98⅜	0	0	7.33
Elec:France 10¼ 95 C$	125	†98½	99	0	+0⅛	10.50
Euratom 7⅞ 97 ECU	145	94⅜	94⅞	+0⅛	−0⅝	8.29
Fed.Bus.Dv.Bk.9¼ 92 C$	75	†97⅛	97⅝	0	+0⅛	10.69
Ford Cr.Can.10⅞ 93 C$	100	†99⅞	100⅛	0	+0⅛	10.74
Ford Mtr.Cred.7½ 91ECU	100	98⅞	99⅜	+0⅛	−0⅝	7.84
Gillette Can. 9⅝ 93 £	70	†92¼	93	+0⅛	+0⅛	11.76
G.M.A.C. 9¾ 93 C$	150	†96⅛	96⅝	0	+0⅛	10.83
G.M.A.C Aus. Fin.14 90 A$	50	96¼	96¾	−0½	−1⅜	16.69
Halifax BS 10⅝ 97 £	100	†97⅜	97⅞	+0⅛	0	10.82
Imp Chem Inds 10 03 £	100	†95¾	96¼	+0⅛	+0½	10.54
Inv.Industry Int.10 93 £	60	†97	97½	+0¼	+0⅛	10.83
Lloyds Bank 10¼ 98 £	150	95⅞	96⅜	+0¼	+0⅝	10.93
Lloyds Bank 11⅜ 98 £	100	100¼	100⅝	−0¼	0	11.30
Montreal Tst.10¼ 93 C$	100	†99¼	99⅝	0	+0⅛	10.89
Nat.Aus.Bank 14 91 A$	50	98½	99½	−1¼	−1⅞	14.39
Nationwide BS 10⅛ 93 £	75	†96½	97	+0¼	+0⅛	11.12
Ned.Midd.Bank 6 92 FL	150	98½	99⅛	0	−0⅞	6.44
New Zealand 9½ 93 £	100	95⅜	95¾	+0⅛	0	10.85
New Zealand 7⅞ 93 ECU	200	99⅛	99⅝	+0⅛	−0⅞	7.93
Philips Gleoil. 6 93 FL	300	97⅞	98⅛	0	−0⅞	6.51
Prudential Fin.9⅜ 07 £	150	†90¾	91¼	+0⅛	+0¼	10.49
Royal Bk.Scot.10⅝ 98 £	125	†97⅞	98¼	+0⅛	+0⅛	11.02
Saskatchewan 9⅞ 91 C$	150	†98⅝	99⅛	0	+0½	10.36
Saskatchewan 10¼ 93	200	98⅜	98⅞	+0⅛	+0½	10.64
S.D.R. 7⅞ 95 ECU	90	97¼	97¾	−0¼	−0⅜	8.28
Sth.Aus.Gvt.Fin. 0 94 A$	100	50½	51	−0½	−1⅜	14.77
Union Bk. Switz. 7½ 93	150	†98¾	99¼	−0⅛	−0½	7.75
World Bank 5¾ 92 FL	100	97⅜	97⅞	0	−1	6.60
World Bank 13⅜ 92 A$	100	†97⅞	98⅜	−0½	−0⅞	14.02
Zentrspk. 13¼ 93 A$	75	96¼	96¾	−0½	−1⅜	14.27

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic.Bld 94 £	.08	99.71	99.76	21/01	10.99
Belgium 91 US	0	100.30	100.40	21/02	9
Britannia 5 93 £	0⅛	99.93	99.98	10/04	13
Chase Manhattan Crp.91 US	0⅛	99.63	99.78	22/02	8.94
Citicorp 98 US	0¼	98.20	98.45	28/02	9.62
Credit Foncier 98 US	.063	99.67	99.77	20/04	8.44
EEC 3 92 DM	0	100.94	101.04	22/02	5.63
Halifax BS 94 £	.1	99.90	99.94	8/02	12.29
Invt. In Industry 94 £	0	99.98	100.08	24/02	11.87
Leeds Perm. B/S. 94 £	0⅛	100.05	100.10	13/04	13.37
Midland Bank 01 £	.1	97.63	98.20	11/02	11.41
Milk Mkt. Brd. 5 93 £	0⅛	100.00	100.05	30/12	12.06
New Zealand 5 97 £	.07	100.14	100.24	20/02	12.16
State Bk. Nsw. 98 US	.188	100.49	100.59	13/02	8.87
Woolwich Equit.BS. 93 £	0⅛	99.95	100.00	13/04	13.37
Woolwich 5 95 £	0⅛	99.45	99.50	21/02	12.37

Average price change... On day −0.02 on week −0.01

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62	114	115	+0⅛	9.84
Amer. Brands 7⅛ 02 US	9/87	56.7	116¾	117¾	+0⅛	1.89
Ashikaga Bank 2⅛ 02 US	4/87	967.	157½	158½	+1	4.31
Asics 5 92 DM	12/83	472.7	242⅞	243⅞	−1⅜	3.11
CBS. Inc. 5 02 US	4/87	200.	95	96	+0⅛	9.69
Comm. Credit 5½ 02 US	4/87	66.75	65¼	66¼	+0⅛	56.74
Eng.China Clay 6½ 03 £	9/88	4.8	107¼	108⅛	+0⅝	2.50
Fujitsu 3 99 US	5/84	1106.	241	242	+1	−1.16
Land Secs. 6⅜ 02 £	6/87	6.72	97⅞	98⅞	+0⅛	10.36
MCA INC 5⅛ 02 US	9/87	69.62	85⅛	86⅛	0	23.74
Minolta Camera 2¼ 94 DM	2/86	1004.	107⅞	108⅝	−0⅛	12.60
Mitsubishi Bk. 1⅞ 02 US	9/87	3157.	129	130⅛	+1	1.38
Mitsui trust 2⅞ 01 US	10/86	1903.	138½	140	−0⅞	1.19
Next PLC 5½ 03 £	11/87	4.5	99⅛	100½	0	188.59
Nishi Nipp.Bk.2⅞ 03 US	4/88	804.	132⅛	133⅛	+0⅛	7.57
Onoda Tatsui 2⅜ 02 US	4/87	1310.	205⅛	206⅛	+1⅛	−1.78
Ranks Hovis 4¾ 03 £	1/88	3.5	114½	115½	−0⅛	1.90
Redland 7¼ 02 £	1/87	5.4	99	100	−0⅛	11.24
Saatchi&Sch. 6¾ 03 £	10/89	4.41	101	102	0	13.90
Texas Inst. 2¾ 02 US	9/87	82.87	75	76	0	42.59
W.R.Grace 6½ 02 US	9/87	62.12	83⅛	84⅛	−0⅛	24.53

* No information available–previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Pacific basin exchanges see further expansion

By Chris Sherwell in Sydney

HEADS OF futures exchanges in the Pacific basin yesterday reported continued growth in trading volumes, promised further new contracts and forecast the emergence of more regional exchanges.

But they also warned of difficulties affecting their operations, and foresaw a dilemma over the future of open outcry trading as support for electronic screen dealing gathered pace.

Their views emerged at a three-day international conference being held in Sydney entitled "1990s: The decade of Asia Pacific futures markets." The meeting coincides with the opening of the Sydney exchange's expanded premises.

According to a panel comprising the heads of futures exchanges in Singapore, Hong Kong, Australia and New Zealand:

- Record trading volumes have continued into January at the Sydney and Singapore exchanges. Heartening signs of revival are emerging in Hong Kong, hit badly by defaults and closure following the October, 1987 crash;
- Singapore's Simex, having secured the biggest (36 per cent) share of global futures trading in international contracts, introduces this month the first energy futures contract in Asia, based on high sulphur fuel oil;
- Hong Kong aims to introduce a 90-day interest rate futures contract from March, and is looking at currency contracts based on the Hong Kong dollar. New Zealand will offer options on its share index futures contracts from today;
- The passage in December of amendments to New Zealand legislation means its exchange, hitherto responsible to no authority, now has its futures and options trading subject to at least "thin" regulatory overview.

Participants agreed the clash over open outcry and electronic trading would intensify. Mr Len Ward, head of the all-electronic New Zealand exchange, spelled out its virtues and said all financial instruments would be traded electronically by the year 2000. But both Mr Les Hosking, of the Sydney exchange, and Mrs Elizabeth Sam, of Simex, voiced serious doubts about any abolition of open outcry trading, arguing that it was essential to ensure necessary liquidity when introducing new contracts.

Mr Hosking said other challenges would come from regulatory authorities banding together to increase cross-border capital adequacy regulations for financial institutions, which would bring more institutions and products to futures exchanges.

Also of concern, he said, was the fact that not one new contract since the Standard & Poor's index contract, introduced on the Chicago Mercantile Exchange in 1982, had been highly successful.

John Elliott adds: Hong Kong's High Court ruled yesterday that the closure of the colony's futures exchange for four days after the 1987 crash was legal. The court rejected a claim by an investor, Mr Keung Chak-Kin, against the exchange for preventing him from concluding deals because it was closed.

This was a test case for approximately 170 other actions over losses amounting to millions of dollars caused by the crash, when both the colony's stock and futures exchanges were closed.

PMI aims to be operational by September

By Our Financial Staff

PMI, the money market data service that Sweden's central bank hopes to launch in collaboration with other local banks and brokers, expects to be fully operational in September this year.

Mr Nils-Robert Persson, head of PMI, said the system would start-up in August and would be operating fully within a month. The planned system follows a feasibility study undertaken by the central bank last year.

The new system will compete directly with the Reuters money market service, which was the first in the field in Sweden. The agency has 126 subscribers throughout Sweden for its Nordic money rate service.

The news agency said yesterday it had no knowledge of dissatisfaction with the quality of service among existing clients with the Reuters service which — contrary to a recent report on these pages — has never operated as a monopoly.

Reuters said it welcomed the advent of another competitor "so long as we can continue to operate in a climate of free competition."

INTERNATIONAL CAPITAL MARKETS

Treasuries move narrowly ahead of jobless figures

By Janet Bush in New York and George Graham in Paris

US TREASURY bonds settled into a narrow range yesterday as traders waited for today's January unemployment figures and for news to emerge from the Group of Seven meeting in Washington.

At midsession, bond prices were unchanged at the short end of the yield curve while the Treasury's benchmark long bond was quoted ⅛ point lower for a yield of 8.82 per cent.

The market was fairly pleased with the announcement late on Wednesday of auctions in the quarterly refunding, mostly because they confounded speculation earlier this week that the Treasury had decided to auction perhaps as much as $12bn in long bonds. The announcement that $9.5bn long bonds would be sold was in line with expectations.

Today's employment data for January will be important for the market's trend as dealers will be looking to see whether economic growth has slowed from the robust level recorded in December.

January is emerging as a strong month for chain store sales with sharp percentage rises in sales reported yesterday by Sears, Roebuck and K Mart.

Speculation is now taking hold in some quarters that the Federal Reserve will signal another snugging in monetary policy before the first auction in the refunding next Tuesday.

Although there is little talk of a rise in the discount rate, it is worth noting that the last time the Fed raised this key official rate was on the morning of the first auction in last August's refunding.

GOVERNMENT BONDS

THE FRENCH government yesterday sold FFr11.67bn of bonds at its regular monthly auction, taking it nearly a quarter of the way towards its borrowing target for the year.

A total of FFr10.03bn was sold in the auction itself, with a further FFr1.63bn taken up by primary dealers.

The Government sold a total of FFr4.46bn of the OAT 8.125 per cent 1999 bond at a cut-off price of 95.95. The average weighted yield of the bonds sold was 8.74 per cent, 15 basis points above the last auction a month ago.

A total of FFr4.21bn was sold of the new OAT 8.25 per cent 2004 at a cut-off price of 95.25, giving a weighted average yield for the auction of 8.83 per cent.

The Government also sold FFr2.98bn of the floating-rate OAT TRB 1993 at an average margin of 3 basis points over the yield of the weekly three-month Treasury bill auction. This was 5 points tighter than at the last auction of this bond in December.

After two auctions this year, the Government has already sold FFr21bn of bonds towards a target for the year of between FFr80bn and FFr100bn. The primary market has been clearer than expected this week after the cancellation of a FFr2bn bond from RATP, the Paris public transport organisation, and a FFr3bn to FFr5bn *bond from EDF, the electricity* supplier.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	109-09	+4/32	10.36	10.38	10.66
		9.750	1/98	99-28	+10/32	9.77	9.85	10.23
		9.000	10/08	99-26	+10/32	9.02	9.04	9.29
US TREASURY *		8.875	11/98	99-07	-1/32	8.99	9.04	9.28
		9.000	11/18	101-26	+1/32	8.82	8.85	9.10
JAPAN	No 111	4.600	6/98	98.1035	-0.158	4.90	4.84	4.73
	No 2	5.700	3/07	108.8312	-0.212	4.79	4.79	4.76
GERMANY		6.375	11/98	97.3500	-0.075	6.78	6.68	6.69
FRANCE	BTAN	8.000	1/94	96.6911	+0.020	8.86	8.61	8.55
	OAT	8.500	5/98	104.5800	+0.030	8.74	8.56	8.65
CANADA *		10.250	12/98	101.2500	+0.125	10.04	10.04	10.25
NETHERLANDS		6.7500	10/98	99.4250	-0.250	6.91	6.78	6.71
AUSTRALIA		12.000	7/99	91.9052	-0.261	13.45	12.89	12.96

London closing, *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Midland to set up unit in Sweden

By Robert Taylor in Stockholm

MIDLAND BANK won the approval of the Swedish Government yesterday to establish a wholly-owned British bank in Sweden. The Cabinet gave its go-ahead with the firm backing of the Riksbank.

The new bank, to be known as the Midland Montagu Bank, will take over the functions of the existing finance company of Montagu and Co AB that has been functioning in Sweden since 1982. It will also incorporate the stockbroking firm, Montagu Fundkommission AB.

The Ministry of Finance also announced that the Midland could buy up Bank National de Paris' subsidiary in Sweden.

The Midland is the first big British bank to establish such a potentially powerful bridgehead in the Nordic money market. When the Swedish Government first allowed foreign banks to operate in Sweden, in 1986, 13 subsidiaries owned by foreign banks were established.

However, they have faced stiff competition from their Swedish banking rivals and a number have ceased operations. The Midland is confident it can hold its own in a market which it regards as increasingly important within the European financial scene.

Swiss gain most from securities' Euro-tax

Stephen Fidler assesses the impact of Europe's proposed withholding levy

THE main loser from a European Commission proposal to withhold at source a minimum tax on income from investments made by European Community residents in other EC states would be Luxembourg. According to bankers and tax specialists, the main winner would be Switzerland.

The proposal – the latest in a long line dating back to 1975 *aimed at harmonising direct* taxation within the Community – calls for the deduction of a minimum 15 per cent tax at source on cross-border investments made within the EC.

It would mean that a bank in Luxembourg, for example, would be forced to deduct 15 per cent before it paid interest to an account holder in West Germany, instead of paying it gross as at present.

Some important exceptions are being proposed, although they do not meet universal agreement. There is a plan to exclude Eurobonds, for example, and the tax would not apply to investors from outside the EC.

Presumably – if the huge daily transactions in the inter-bank market in Europe are not to halt – wholesale money markets would be excluded.

The rationale behind the move appears to be that, when capital controls are lifted within the EC, there should be a level playing field for investment among European Community members to prevent some members states from sucking in investment funds *by ensuring a hospitable tax* regime. The French Government is particularly concerned that this should not happen.

The country which stands to lose most from the proposal appears at the moment to be Luxembourg, where many EC residents hold bank accounts and keep securities parked there. The main beneficiary would be Switzerland, outside the EC where withholding taxes are not levied.

Indeed, Switzerland is already a home for many investments held by private citizens in Europe. One banker in Frankfurt said yesterday: "Most Germans already take at least one trip a year to Switzerland anyway."

For this reason, the banker forecast that unless the Swiss authorities agreed to introduce similar regulations then withholding tax legislation would be ineffective.

The exemption of Eurobonds would also, no doubt, provide a strong fillip to that market.

Already the famous Coupon Express travels weekly down from Brussels to Luxembourg for coupon clipping – where holders of bearer Eurobonds *exchange their bond coupons* for interest payments at banks in the city.

There are undoubtedly real questions about how effective such a tax could be if there were widespread exceptions.

Germany, for example, has a 10 per cent withholding tax but hardly anybody seems to pay it. *The announcement that the* tax would be reintroduced led to a flood of funds into Euro-DM issues on which the tax is not payable (and out of German government issues) – to such an extent that it became more expensive for the German Government to borrow in the D-Mark bond market than PepsiCo.

Subsequently, it became clear that the authorities would allow so-called "coupon washing," meaning that foreign institutional investors would be able to sell the bonds the day before interest was paid and buy them back the day after to avoid the tax.

It is not clear what the attitude of the Commission would be to coupon washing but it is possible that such details may, in any case, be left to national interpretation.

In the case of the UK, an overwhelming proportion of interest remittances abroad from the UK are made gross, mainly because of the 80 or so double taxation treaties which the UK has negotiated with other countries.

Because of the complicated issues involved in changing national legislation, and altering relevant double taxation treaties, the timetable of such a plan already looks optimistic.

It is envisaged that the proposal, which will be disclosed in detail on February 8 and presented to EC finance ministers on February 13, should be adopted by July 1990.

However, the adoption of the proposal at this meeting seems far from a foregone conclusion.

Mr Nigel Lawson, the UK Chancellor, opposes the move. He said this of the plan at a speech at Chatham House: "The harmonisation of taxes is clearly not a requirement of the single market – indeed not even its most ardent proponents pretend that it is.

"Instead, it is advocated by those who argue that the abolition of exchange controls could increase the scope for tax avoidance and even evasion, as savings are transferred from one Community country to the other. In other words, having accepted the principle of freedom of capital movements, they are seeking to escape from its consequences."

The British Government says that since it lifted exchange controls there has been no detectable rise in tax evasion.

For obvious reasons, Luxembourg opposes the proposal, while France, Belgium and Spain do not want Eurosecurities to be exempted. Germany would prefer a minimum tax rate in line with its own withholding tax.

Federal body clarifies swaps provision

By Katharine Campbell

THE Federal Deposit Insurance Corporation (FDIC), an independent US regulatory authority with jurisdiction over commercial banks, yesterday clarified an important provision contained in the master *agreement governing swaps*, formulated in 1987 by the International Swap Dealers Association and now broadly accepted as the market standard.

The decision came in the form of a letter from the FDIC's general council and refers to the so-called netting provision written into the agreement.

In the event of one swap party defaulting, council affirms, the courts would treat the resulting liabilities on a *net, rather than gross, basis*.

For instance, suppose bank A and bank B have entered into two swap transactions. In both cases A has agreed to pay a fixed rate of interest to B, in receipt for floating payments – that is a typical interest rate swap. The rates on the two swaps were fixed at 5 and 10 per cent. The market rate is currently 7 per cent.

Thus, should bank B default, bank A would effectively be left with a gain on the 5 per cent coupon swap, but a loss on the 10 per cent deal.

If the netting agreement did not apply, the receiver might enforce the swaps selectively. The netting provisions stipulate the two are treated as one obligation.

Total outstandings in the interest rate and current swap market amounted to about $2,000bn at the end of 1988, according to ISDA estimates. The association professes to be "enormously pleased" with this clarification of insolvency risk, and hopes for further regulatory progress in recognising the concept.

Under the Bank of International Settlements' capital adequacy provisions, the concept of netting is not recognised.

Swiss Government acts on insurance cartel

By William Dullforce in Geneva

THE SWISS Federal Council (government) has backed its Cartel Commission in an important test case against Swiss insurance companies.

Last month the Swiss Association of Property Insurers refused to follow the commission's *recommendations that it* dissolve agreements under which all its members apply the same premiums for insurance against fire, theft, glass and water damage.

On Tuesday the Federal Council, acting under a new law, transformed into edicts all seven recommendations from *the commission*.

Under the old legislation, enterprises could ignore the commission's findings and the Federal Council had no power to impose them. The council's decision is therefore seen as a expression of its willingness to tighten Switzerland's competition rules and to provide the *Cartel Commission with teeth*.

The decision also marks a desire to bring Swiss competition more closely in line with that of the European Community before the advent of the EC's single internal market in 1992.

Significantly, the commission is due to report later this *year on energy prices*, bank charges and cement prices.

Safra Republic profit at $10m after flotation

By David Lascelles, Banking Editor

SAFRA Republic Holdings, the newly launched Luxembourg-based private banking group, made a net profit of $10m in the final two months of last year, following its initial public offering of shares.

The offering raised $500m in new equity. As a result, the bank's ownership was split between Mr Edmond Safra, the international financier with 20.6 per cent, Republic New *York Corporation with 48.6 per* cent, and international investors holding the remainder.

At the end of 1988 total equity was $940m, deposits were $2.9bn and assets $4bn. Loans comprised 18 per cent of assets, with no exposure to less developed countries.

The bank stressed its capital strength. The ratio of equity to assets was 23.4 per cent, well above the 4 per cent level set by the recent *Basle deal on* international bank regulation.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday February 2 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act. at 25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Wed Feb 1 Index No.	Tue Jan 31 Index No.	Mon Jan 30 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (208)	[illegible]									
2 Building Materials (28)	[illegible]									
3 Contracting, Construction (36)	[illegible]									
4 Electricals (10)	[illegible]									
5 Electronics (30)	[illegible]									
6 Mechanical Engineering (55)	[illegible]									
8 Metals and Metal Forming (7)	[illegible]									
9 Motors (17)	[illegible]									
10 Other Industrial Materials (22)	[illegible]									
21 CONSUMER GROUP (186)	[illegible]									
22 Brewers and Distillers (22)	[illegible]									
25 Food Manufacturing (21)	[illegible]									
26 Food Retailing (15)	[illegible]									
27 Health and Household (13)	[illegible]									
29 Leisure (33)	[illegible]									
31 Packaging & Paper (17)	[illegible]									
32 Publishing & Printing (16)	[illegible]									
34 Stores (33)	[illegible]									
35 Textiles (14)	[illegible]									
40 OTHER GROUPS (99)	[illegible]									
41 Agencies (18)	[illegible]									
42 Chemicals (22)	[illegible]									
43 Conglomerates (12)	[illegible]									
45 Shipping and Transport (12)	[illegible]									
47 Telephone Networks (2)	[illegible]									
48 Miscellaneous (27)	[illegible]									
49 INDUSTRIAL GROUP (487)	[illegible]									
51 Oil & Gas (13)	[illegible]									
59 500 SHARE INDEX (500)	[illegible]									
61 FINANCIAL GROUP (126)	[illegible]									
62 Banks (8)	[illegible]									
65 Insurance (Life) (9)	[illegible]									
66 Insurance (Composite) (7)	[illegible]									
67 Insurance (Brokers) (7)	[illegible]									
68 Merchant Banks (11)	[illegible]									
69 Property (53)	[illegible]									
70 Other Financial (32)	[illegible]									
71 Investment Trusts (76)	[illegible]									
81 Mining Finance (2)	[illegible]									
91 Overseas Traders (8)	[illegible]									
99 ALL-SHARE INDEX (712)	[illegible]									
FT-SE 100 SHARE INDEX	[illegible]									

FIXED INTEREST

PRICE INDICES	Thu Feb 2	Day's change %	Wed Feb 1	xd adj. today	xd adj. 1989 to date
British Government					
1 5 years	119.22	+0.12	119.07	[illegible]	[illegible]
2 5-15 years	136.64	+0.25	136.30	[illegible]	[illegible]
3 Over 15 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Irredeemables	173.23	+0.58	172.22	[illegible]	[illegible]
5 All stocks	134.03	+0.21	133.75	[illegible]	[illegible]
Index-Linked					
6 5 years	131.57	[illegible]	131.56	[illegible]	[illegible]
7 Over 5 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 All stocks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Debentures & Loans	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Preference	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AVERAGE GROSS REDEMPTION YIELDS: [illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	102	1	7
Corporations, Dominion and Foreign Bonds	15	0	36
Industrials	519	294	775
Financial and Properties	177	131	362
Oils	24	29	47
Plantations	1	1	10
Mines	29	51	106
Others	65	77	95
Totals	932	584	1,438

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

- First Dealings Jan 23
- Last Dealings Feb 3
- Last Declarations May 4
- For settlement May 15

For rate indications see end of London Share Service

Calls in Eurotunnel Wrnts, Clogau Gold, Tootal, PML, SelectTV, Hambro Countrywide, Norton Opax, Monument Oil & Gas, Astra Hids, Whitbread, Esmond, Ex Co Louis, Utd Bisc, Warburg, Ald Lyons, Kalon, Fed Hsng, Wace Rex, TVS, Bassett Foods, Monotype, HK & Shanghai Bank, Contol Secs, Cons Gold, Blue Arrow Owners Abroad, Britannia Arrow, Tootal, St & Chartered, Noble Reardon. Puts in Hopkinson, Blue Circle, Glaxo

LONDON TRADED OPTIONS

BUSINESS on the London traded option market yesterday was rescued from slumber by dealings in Racal, the electronics stock with close interests in defence, and by activity in Dixons, a fellow electronics company.

The market overall was a pale comparison with recent days, reaching a total of 33,001 contracts. Lately it has topped 100,000.

Total dealings consisted of 22,290 calls and 10,711 puts. The FT-SE 100 index trading lost its recent heavy share of the overall deals, to reach 3,491 contracts, little more than 10 per cent of the overall figure, compared with the 25 per cent or more to which it has become accustomed. Calls in it came to 2,270, and puts to 1,221.

Racal, the subject of bid talk, was the options market's most outstanding feature, attracting 3,709 calls and 978 puts. The February 240 calls were the most substantially traded of the series in the stock, at 1,225 contracts.

Cable and Wireless was among the companies mentioned in relationship to Racal, though it was possible to draw stories out of the woodwork.

Dixons attracted calls of 1,563 contracts and puts of 526, as market chat about bid prospects for the company ran around. Dealers reported an even spread of trades across the quoted series.

British Petroleum, a market leader in options dealings of recent days, took a back seat, on 1,857 contracts, lying in only 531 puts and 1,326 calls. The April 280 puts alone accounted for 1,290 contracts.

British Gas and British Steel, which have been active of late in the options market found relatively little interest.

Consolidated Gold Fields, with the Minorco bid cleared by the Monopolies and Mergers Commission, sprang into the options frame once again, with 1,035 calls and 101 puts making a total of 1,136.

[illegible]

THE MONOPOLIES REPORT ON MINORCO/CONSOLIDATED GOLD FIELDS

Political battle buys time to prepare for financial warfare

Kenneth Gooding on how the MMC clearance has shifted the struggle into a more conventional phase

SIR MICHAEL Edwardes, Minorco's chief executive, tried hard yesterday to give the impression that his company still had to make up its mind about whether or not to bid again for Consolidated Gold Fields, now that it has been given clearance by the UK Monopolies and Mergers Commission.

But Mr Rudolph Agnew, chairman of Gold Fields, was in no doubt.

He dismissed Sir Michael's prevarication as "posturing to get the Gold Fields' share price down", adding, "Minorco would not have gone to all these lengths if it were not prepared to take it all the way."

As Sir Michael suggested, however, there are at least two more hurdles for Minorco to clear before it can dash for the tape.

The European Commission has still to give a ruling on a potential merger between the two groups and litigation between them in the New York courts could still trip Minorco up.

London analysts were as certain as Mr Agnew that Minorco would very soon be back with an offer for Gold Fields and suggested it would be about £15 a share, well above the opening salvo of £13.20.

Many of the analysts also said that next time Minorco would offer an all-cash alternative because it was made very clear on the first occasion that UK financial institutions were not keen on taking shares in the Luxembourg-quoted company.

Given the time constraints on Minorco – under the terms of the Takeover Code, if it does not bid again within 21 days after the MMC clearance, it would have to wait for at least a year – analysts said there was no time for Minorco to change tack and bid for Gold Fields via its associate Charter Consolidated.

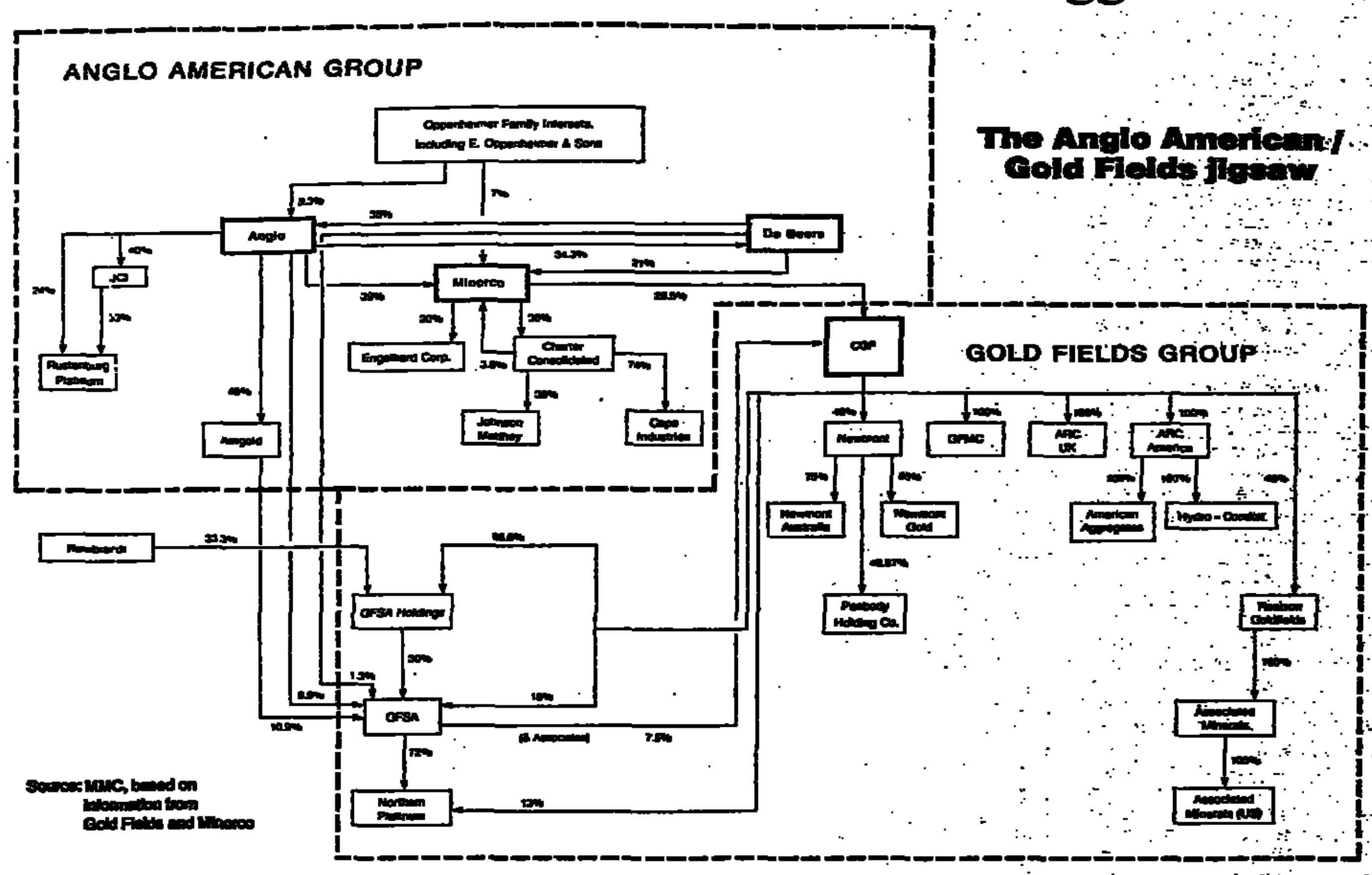
This tactic was mooted in the past because it would have removed the bidding company one more step away from South African parentage. The MMC's rejection of suggestions that South African ownership of Gold Fields would be against the UK public interest would make that an unnecessary complication.

Neither does there seem any likelihood that Gold Fields could find a white knight to make a friendly offer to counter Minorco. In any case, that had always been a slim hope in view of Minorco's dominating 30 per cent shareholding in Gold Fields.

Mr Agnew and his merchant banking adviser, Mr Gerry Grimstone of J Henry Schroder Wagg, indicated yesterday that the intense, worldwide anti-Minorco campaign waged by Gold Fields was "water under the bridge" and that they were ready to move the battle to a more conventional phase – one where the arguments would be financial rather than political.

However, Mr Agnew insisted he had "no regrets" about the first phase of the campaign which has cost Gold Fields nearly £20m.

Shareholders' interests had not been damaged by the campaign, he said, because the Gold Fields share price was below £12 before the Minorco offer and yesterday stood above £14.



Source: MMC, based on information from Gold Fields and Minorco

Perhaps even more importantly, that campaign resulted in the bid being referred to the MMC and therefore gained Gold Fields three more months of valuable time in which to prepare its defence.

Apart from developing much closer contacts with major shareholders, analysts and the financial press, Gold Fields used the time to have its geologists complete a full appraisal of its worldwide mineral assets – something which would not have been possible if the bid had run its normal course.

"We must make sure than not a penny of the value in this company remains hidden," Mr Agnew said.

All this suggests that Gold Fields was not relying too heavily on matters left outstanding, such as the European Commission inquiry and the New York court cases, to get off the hook.

The indications from Brussels are that it is very unlikely that the commission would go against the MMC's verdict, particularly as it will consult closely with the UK organisation before reaching its decision on the potential damage a Gold Fields/Minorco merger might do to the markets for gold and platinum.

The commission is fully aware of the need for a speedy conclusion, as is the New York appeal court which apparently has been waiting for the MMC decision before giving its verdict on appeals by Gold Fields and Minorco.

In an earlier hearing, on October 25 – the same day as the bid was referred to the MMC – the judge issued an injunction to prevent Minorco increasing its shareholding in Gold Fields to more than 30 per cent.

If that decision was upheld on appeal, Minorco would be able to bid again for Gold Fields but not declare the offer unconditional. However, Minorco would have 109 days – the maximum length of time permitted by the Takeover Code between a new bid being made and being declared unconditional – to clear up the US litigation.

Analysts have suggested that Minorco would be in a strong position if the battle was finally to be fought on financial issues. It already has a 30 per cent stake in Gold Fields and probably could count on a further 8 per cent owned by Gold Fields of South Africa and 1.4 per cent controlled by American Barrick Resources, a Canadian gold company.

Many Gold Fields shares are in the hands of speculaters who bought them during the hectic dealing ahead of Minorco's first bid on September 21.

UK Department of Trade and Industry inspectors are investigating possible insider trading in Gold Fields shares ahead of the bid, but Sir Michael Edwardes echoed Lord Young, the UK trade and industry secretary, yesterday, when he insisted that that was "a separate issue" with no bearing on whether or not Minorco would make another offer.

Lord Young said he could always refer the situation back to the MMC, if necessary, after his inspectors report.

Meanwhile, analysts are once again mulling over the possible consequences if Minorco wins the day. That would start further major reorganisation of the western world's natural resources industries.

Minorco has already decided to sell Gold Fields' substantial shareholdings in three major companies: Newmont Mining, which is on course to become North America's biggest gold miner; Gold Fields of South Africa, one of the lowest-cost producers in that country; and Renison, a diversified Australian mining company.

At yesterday's market prices, the 49 per cent stake in Newmont was worth about £700m, the 38 per cent of GFSA worth £300m and the 49 per cent of Renison worth £250m.

Sir Michael said that, should Minorco bid again and gain control, it would have no difficulty finding a South African buyer for GFSA and would expect to get a premium for the Newmont and Renison shareholdings.

Analysts believe that each shareholding will be sold as a block and thus might trigger off more bids. The high base metal prices over the past two years have left many natural resources groups flush with spare cash, so there should be no shortage of potential buyers.

Meanwhile, Mr Agnew had these words of comfort for Gold Fields shareholders yesterday. "The company is now much better known, the share price is higher, the stockmarket is bullish. Shareholders should sit back and watch events. They will benefit."

MMC rejects 'against the public interest' objections

By Clay Harris and David Waller

AFTER A three-month investigation, the Monopolies and Mergers Commission ruled that a takeover of Consolidated Gold Fields by Minorco would not operate against the public interest. Under UK law, Lord Young, the Secretary of State for Trade and Industry cannot block a proposed merger cleared by the MMC.

The unanimous MMC report rejected several objections which had been raised to the proposed takeover. A merger would not operate against the public interest on the supply of titanium, zircon and rare earths – the issue specifically cited by Lord Young in his referral to the commission.

The Anglo American group, the South African web of companies which controls Minorco, had no involvement in the supply of the materials. The acquisition of Gold Fields would bring a 48 per cent stake in Renison Goldfields Consolidated, a major Australian-based titanium and zircon producer, but this would not significantly increase the risk of collusion.

Minorco yesterday said it had decided before the referral to sell the Renison stake, but *the MMC report does not require* any such disposal.

After reviewing the Gold Fields shareholdings of Minorco and its associates, and share purchases in the six months before the referral, the MMC also concluded that there was no "existing merger situation" – i.e. Minorco had not secretly breached the 30 per cent level at which it would have been obliged to mount a full takeover bid.

That was the only other specific issue in Lord Young's direction to the MMC, but the Commission also rejected objections based on:

● the characteristics of Anglo-American and Minorco's South African associations in general. It was not "relevant or feasible" to "undertake any detailed inquiries into the existence or otherwise of cartelistic or other anti-competitive practices within the Anglo American group."

● effects on gold and platinum markets.

● arguments that Minorco's takeover of ARC, Gold Fields' construction materials subsidiary, would increase discrimination because of South African links. In the case of UK local authorities, such discrimination would be illegal under recent legislation.

● suggestions that the British economy would suffer because of loss of direct or indirect control of overseas natural resources.

The MMC also discussed in detail the contention that Minorco and the Anglo-American group were "bid-proof" because of the interlocking network of shareholdings. The MMC said the the ownership structure was a "valid cause for concern" but Minorco was by no means unique in this way.

"Bid-proof" was a description which could be applied to many other companies within and without the UK. "There is at present no governmental policy in the UK to deter takeovers by companies in such a protected position – and to institute such an approach would itself reduce the pressures on quoted companies of possible acquisition," the MMC said.

There were means apart from public offers through which pressure could be brought on management. "If Minorco's assets performed badly, the Anglo American group itself would, we believe, be likely to consider changing management or divesting," the MMC said. Even if it did not, however, that would be a matter for Minorco's shareholders and not necessarily against the UK public interest.

The MMC said it found "no firm evidence" to show that Minorco's shareholding in the six months before the referral had increased by any more than the 0.92 per cent claimed by Minorco itself. Since Minorco already had more than 25 per cent of Gold Fields' shares and two seats on the board, such a small rise would not, the MMC said, "enable Minorco to move from the ability materially to influence Gold Fields' policy to the ability to control such policy."

The MMC came to this conclusion after studying the interim report of inspectors appointed by the Department of Trade and Industry to investigate share dealings in Gold Fields. The inspectors, the MMC said, were "unable to express any opinion as to whether the disclosed shareholding of Minorco and its associates as at April 24 1988 or the disclosed acquisitions made in the six-month period thereafter represented the true position."

Gold Fields had submitted evidence about the movements of shares on its register and trading in options on its shares. On the latter, Gold Fields said two Liechtenstein-based foundations had at one time call options over more than 1.4 per cent of its share capital. However, it was not possible to identify the foundations' beneficial ownership and they had disposed of the options before the bid referral.

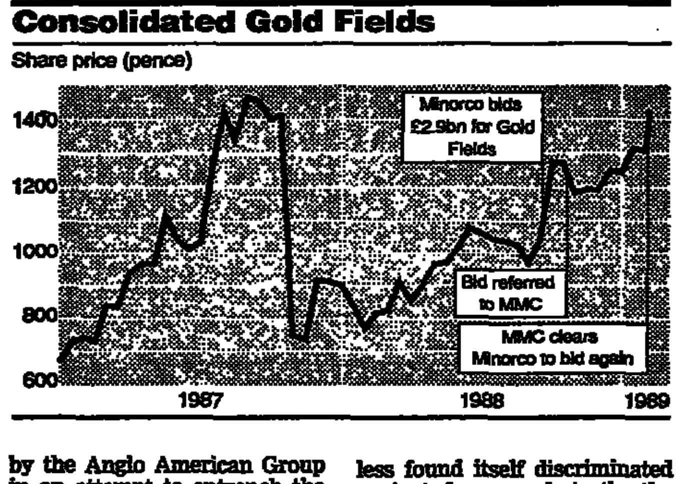
Minorco said neither it nor its associates had any dealings, except as disclosed, in Gold Fields' shares for the 12 months before the referral.

From Minorco's point of view, the bid for Gold Fields was the logical consequence of the policy of hands-on management it adopted in 1987. Minorco had then sold many of its various passive stakes and determined to concentrate its resources on mainstream businesses such as precious metals and aggregates.

Gold Fields saw things somewhat differently. The bid was part of a conspiracy engineered by the Anglo American Group in an attempt to entrench the Oppenheimer family more strongly outside South Africa. As such, it was but the latest manoeuvre from Anglo American in its ancient desire to take control of Gold Fields' assets.

Consolidated Gold Fields

Share price (pence)



The two parties presented their views on the following *topics: the influence of* Minorco's major shareholders; the South African dimension to the bid; the impact of a successful bid on the various products e.g. gold and platinum, and Minorco's intended disposals. Needless to say, the views were violently contradictory.

● Influence of Minorco's major shareholders. Gold Fields maintained that it was the habit of the Oppenheimer family to operate through a tangled network of interlocking shareholdings and management systems. Any argument that Minorco was independent of this was wholly spurious, Gold Fields implied.

Minorco contended that the bid was not a mechanism to give Anglo American and De Beers ownership and control of Gold Fields. Indeed, one of the prime reasons for the proposed acquisition was to establish Minorco as a major international company in its own right. Sir Michael Edwardes said he joined the company only on the basis that the Minorco board and executive board had full day-to-day control of the company.

> 'There is at present no governmental policy in the UK to deter takeovers by companies in such a protected position – and to institute such an approach would itself reduce the pressures on quoted companies of possible acquisition'

● The South African dimension. Gold Fields argued that it had long pursued a policy of diversifying away from South Africa, and if it came to the crunch, would be prepared to divest itself of all its interests in South Africa. Thus it had managed to avoid being labelled as a South African company or even South Africa-controlled – in a way that Minorco could not avoid. Thbis was crucial to all its interests around the world.

Gold Fields said it nevertheless found itself discriminated against, for example in the the UK by local authorities and other parties hostile to apartheid. This situation would deteriorate drastically if Minorco won the day and ARC's business would suffer. Participation in the privatisation of British Coal – for which it claimed exceptional credentials – would be ruled out as too controversial. The implications for business the US and Australia were just as bad, if not worse.

Minorco retorted that it had associates doing business "without inhibition" in the UK and the US and other parts of the world, although it was 70 per cent owned by South African interests. The South African shareholding would fall to below 50 per cent following the acquisition and, what is more, Minorco had committed itself to selling Gold Fields' South African interests.

There would be no problems with British Coal, Minorco argued. Moreover, it said that Gold Fields was being disingenuous in claiming not to have been tainted with a South African image, since it had substantial investments in that country and was 38 per cent owned by South African shareholders.

The two companies took each other to task for their labour relations policies. Minorco said that Gold Field's policies had lagged behind those developed by Anglo American in recent years. Gold Fields said that the improvements in this respect were limited to a very small part of the Anglo workforce and were therefore cosmetic. By contrast, Gold Fields had "had taken the harder road of developing true equality for black labour."

● Product issues.

(a) *Gold.* Gold Fields argued that after a merger, Anglo American's share of the world market would rise from 20 to 32 per cent, thus allowing it to manipulate the world's gold market. Minorco's undertaking to sell GFSA was merely cosmetic in this respect as Anglo would retain control through its 22 per cent stake and because GFSA would inevitably be sold into friendly South African hands.

Minorco countered that it and De Beers had undertaken to the South African Competition board that neither had any intention of seeking control of GFSA. After this had been disposed, Minorco's only gold interests would be the 1 per cent of world production in the hands of GFMC.

(b) *Platinum.* Gold Fields pointed out that between them, Anglo American and Gencor controlled 88 per cent of the Western world's production of platinum, and were inclined to collude over the marketing and pricing of the precious metal. GFSA is in the process of developing the Northam platinum mine, due to be opened in 1992. This would become an important alternative source of production and Gold Fields argued that it would be in Anglo's interests to impede the development of the mine. The commitment to sell GFSA was irrelevant, Gold Fields argued.

Minorco pointed out that at present it had no interest in any platinum mine, and when the Northam mine was opened, it would account for no more than 6 per cent of world production. The GFSA assets would be sold in any case. Any collusion between South African producers – which Minorco denied – was subject to the competition law of the UK and the EC and had no bearing on Minorco's activities.

(c) *High value metals such as titanium, zircon and rare earths.* Gold Fields stressed that these had important strategic applications in nuclear and aerospace industries. Control of the production of these would be concentrated in South African hands if Minorco took over Gold Fields' holding in Renison. Minorco dismissed these arguments as far-fetched, saying that following the bid, Minorco would simply take Gold Fields' place as a minority shareholder in Renison – assuming there was no disposal of the holding.

(d) *Aggregates and related products.* Gold Fields main point here was that local authorities in the UK would discriminate against the Minorco-owned company for political reasons. Minorco cited the Local Government Act 1988, which forbids local authorities from awarding or refusing contracts on grounds other than commercial.

● Minorco's intended disposals. Minorco showed the MMC its undertaking to the South African Competition Board to sell Gold Fields' interest in GFSA "as soon as it was commercially advantageous to do so". It said would abide by the right of first refusal granted by Gold Fields to Rembrandt over 30 per cent of Gold Fields' remaining 38 per cent stake in GFSA.

In the case of Newmont, Minorco said that it was sensible to dispose of this holding on commercial grounds. The 49 per cent stake "provided unacceptably low cash returns on an investment of such a size and nature" – i.e. a pre-tax cash return of only 2 per cent per annum. The same applied to the holding in Renison, where Australia's laws on the preservation of domestic control were particularly stringent.

For its part, Gold Fields "had no doubt" that GFSA would be sold in a manner which "firmly secured control in its own hands". Gold Fields said it did not find it credible that Minorco would sell the Newmont stake. As for Renison, Gold Fields argued that the only way to prevent the stake going to companies willing to support a cartel was to prevent the bid.

Of external parties, most UK Government Departments, including the Foreign and Commonwealth Office, declined to comment to the MMC. In its conclusions, the MMC noted that it had received no evidence of governmental concern about the effect of the merger on the foreign policy interests of the UK." The Department of the Environment said it did not believe that market circumstances justified any objection and that recent legislation made it unlikely that a Minorco-controlled ARC would lose contracts with local authorities.

The Department of Transport was uneasy about any change of control in ARC which led to a reduction of competition. The Ministry of Defence said none of the materials involved were strategically vital and all would be available from other Western sources.

The Australian Government expressed strong concerns about the bid, both because of Gold Fields' 48 per cent stake in Renison but also because of the prospect of increased South African control over the world supply of strategic minerals.

Minorco's South African connection elicited opposition to the proposed takeover from the Trades Union Congress, the Amalgamated Engineering Union and Nacods, the pit deputies union. There were similar representations from the Anti-Apartheid Movement.

Most companies involved either as competitors, suppliers or customers of Gold Fields either did not respond to MMC requests for comments or chose not to make one.

However, Tarmac, one of ARC's leading aggregates competitors, admitted openly for the first time that one factor in its own withdrawal from South Africa in 1986 was the disproportionate impact the exposure was having on its UK business because of discrimination by local councils.

"The measurable impact was becoming more of a mere impact, but beyond that Tarmac could never know the weight of the covert impact where it was left off tender lists and not invited to submit offers," the MMC said.

Tarmac said ARC was a "tough but rational adversary" and UK ratepayers would not benefit if ARC was impeded by South African ownership if this helped Tarmac itself in the short term. Gold Fields' defence was also supported by Costain Group, the construction company.

There was also opposition from the National Council of Building Materials Producers, which noted that ARC had been a leader in cleaning up price rings in the UK. The BMP was alarmed that the business philosophy epitomised by the De Beers diamond cartel might be introduced into the UK industry.

Of the materials at the centre of the inquiry, *titanium* is produced from a number of naturally occurring minerals, it is found mainly in alluvial or mineral sands in which it is mixed up with other minerals such as zircon sands and monazite.

Titanium metal has a variety of industrial applications, for example in the aerospace industry. It has the useful properties of a light weight, strength at high temperatures and resistance to corrosion. It is used in airframe structural parts and jet engine components, for which there is no real substitute.

Titanium dioxide is is used mainly as a pigment, mainly in paints but also in the plastics and paper industries. It is used in PVC and high-quality printing and writing papers. Higher grade *titanium minerals* are known as "feedstocks". These are produced by Renison in Australia and Florida.

The principal *zirconium* mineral of any commercial significance is zircon, which is produced as a co-product of ilmenite, rutile and monazite from heavy mineral sands deposits. Over 80 per cent of zircon is accounted for by refractory, ceramic, abrasive and foundry uses. Less than 5 per cent is used for the production of zirconium metal which has applications in the nuclear power industry, e.g. as cladding fuel for nuclear reactors. Hafnium is a by-product which is an essential component of control rods for nuclear reactors.

Monazite occurs in a number of mineral sands deposits and is the richest source of the heavy rare earth elements such as *samarium*, which is used in permanent magnets which have a variety of military applications in aircraft, radars and satellites. Another product is *gadolinium*, used as an additive to uranium fuel for PWR reactors and in paints that protect against radiation. Rare earths are widely used in the electronics industry, where consumption is "not large but is critically important."

Minorco and Consolidated Gold Fields, a report on the merger situation, Monopolies and Mergers Commission. HMSO, £7.10.

TITANIUM
World production of chlorinatable feedstocks, 1987

	tonnes(,000)	%
Renison(Gold Fields)	206	24.4
Cons Rutile(Gencor)	95	11.3
Richards Bay Mins(BP and Gencor)	155	18.3
Other	388	46.0
Total	844	100

Source: MMC

ZIRCON
Western world production, 1987

	tonnes(,000)	%
Renison(Gold Fields)	296	41.3
Cons Rutile (Gencor)	80	11.2
Richards Bay Mins(BP and Gencor)†	110	15.3
Other	231	32.2
Total	717	100

†Agreement in principle for BP's interest to be sold to RTZ.

Source: Renison


Sir Michael Edwardes: trying hard to give the impression that Minorco has yet to make up its mind

UK COMPANY NEWS

EC clears Metalbox merger with Carnaud

By Maggie Urry and Will Dawkins in Brussels

THE EUROPEAN Commission has decided there are no grounds for taking action under its competition rules against the proposed merger between Metalbox Packaging, part of the British MB Group, and Carnaud, the French packaging company.

The merger between Pechiney, the French state-owned aluminium company and American National Can was also cleared yesterday.

Officials in Brussels said that both the deals got the go-ahead partly because several major customers of the companies involved were big groups with considerable marketing power, but also because their products and geographical markets were complementary.

Mr Brian Smith, chairman of MB, said yesterday that the EC's decision was "another step towards the successful creation of CMB Packaging, in which the new MB will have a joint controlling interest."

MB and CGIP, the French holding company which has a large minority stake in Carnaud, will hold 51 per cent of CMB's shares between them.

MB shares rose 7p to close at 294p yesterday. This was in part spurred by hopes that Wednesday's intervention by Elders Investments, the offshoot of the Australian group Elders IXL, which has 5.7 per cent of MB's shares, could provoke an alternative bid for Metalbox Packaging or a change in the terms of the merger.

Elders Investments yesterday wrote to MB asking for a date for a meeting to discuss its proposals. MB said last night that it had repeatedly asked Elders to put its request for further information in writing.

MB said it would provide the information if it could, but that it might be prejudicial to its shareholders interests "to reveal confidential information on Metalbox Packaging to Elders when its unspecified partners could be any of our competitors."

Carnaud said yesterday that the planned merger "has not been set back by the actions of the Australian group, Elders". It reiterated that the merger was "a response to the demands of clients in the European market of 1992".

In another development yesterday, the Takeover Panel said that Elders could not bid for MB as a whole, following remarks last week from Mr John Elliott, the chairman of Elders IXL, that the group has no present intention of bidding for MB. There had not been a material change in circumstances which could have allowed Elders to bid after all.

Berisford shares rise 14p as Goodman takes stake

By Clare Pearson in London and Kieran Cooke in Dublin

SHARES IN S&W Berisford, the restructured food, soft commodities and financial services company which owns British Sugar, jumped 14p to 428p yesterday as it emerged that Mr Larry Goodman, chairman of Goodman International, the private Irish meat processing company, had acquired a 4.9 per cent stake.

Mr Barry O'Connor, Berisford's company secretary, said: "I have absolutely no idea of the motivation behind this move."

He said his company had had no personal contact with Mr Goodman since last August when Berisford sold its loss-making subsidiary, City Meat Wholesalers, to ABP Holdings, a part of Goodman International.

Mr Goodman's move follows his recent purchase of a 7.9 per cent stake in Unigate, the UK food, dairy and distribution group. And in Dublin, it was seen as part of a strategy to turn Food Industries, the public company he formed last year as a vehicle for Goodman International's non-meat activities, into a broadly-based operation.

Analysts in Dublin ruled out a full bid for Berisford from Mr Goodman, frequently described as Ireland's richest man.

"But if there is a takeover battle for the company he does want to be in a position to pick up some of the assets and possibly some sugar production quotas," said one. "His plan is based on getting as much control of agribusiness raw materials as possible."

Berisford has been subject to a number of bid attempts in the past and is still seen as vulnerable despite sweeping restructuring measures. These moves resulted in a £35.2m below-the-line debit in its results for the year to the end of September, when pre-tax profits advanced 16 per cent to £101.6m.

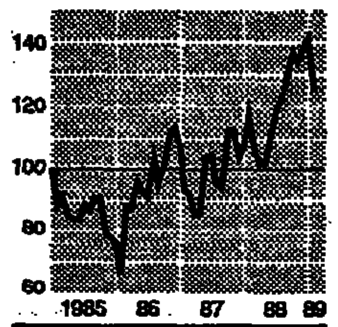
Mr Goodman becomes the third largest single shareholder in the company. Associated British Foods, which dropped its bid after the stockmarket crash, holds about 24 per cent of the shares. Next comes Marmon Corporation, the diversified US private company controlled by Mr Jay and Mr Robert Pritzker, both Berisford directors, with 11.2 per cent.

Mr O'Connor said Berisford was currently investigating a new 1 per cent interest in its shares which it had recently uncovered and considered "interesting".

Aside from the British Sugar business, Berisford's food division – accounting for more than half of its pre-tax profits – comprises interests in agribusinesses and dried fruit and nuts. Its commodities activities have recently been pared down to the merchanting of coffee, cocoa and sugar.

S&W Berisford

Share price relative to the FT-A All-Share index



Dublin analysts said it was likely that Mr Goodman would give Food Industries – 70 per cent owned by Goodman International – an option to acquire the Berisford stake (at cost plus 4 per cent) as was done in the case of his Unigate holding.

Goodman controlled companies are now involved in a range of agribusiness activities, from the meat and dairy industries to jam-making, food storage, animal protein manufacture and grain handling and processing.

Plessey unions attack GEC bid

By Terry Dodsworth, Industrial Editor

TRADE-UNIONISTS at Plessey, the embattled UK electronics group, have swung behind the company in its battle to remain independent.

Mr Alan Randall, chairman of the group's joint shop stewards' committee, said yesterday the Plessey unions were completely against the proposed takeover of the company by the General Electric Company and Siemens of West Germany.

"We are all very loyal to Plessey," he said. "The company has given us plenty of backing and we are now going to give it our backing."

Mr Randall's comments conflict with a statement from MSF, the company's leading white-collar union, which said a week ago it would not oppose the GEC bid in evidence it is due to present to the Monopolies and Mergers Commission.

At that time Mr Larry Brooke, the MSF director responsible for the electronics sector, said the bid seemed appropriate in the context of developing stronger technology-based companies in Europe.

Mr Randall, who is also a senior staff representative for MSF, yesterday dismissed the argument over the need for industrial regrouping in Europe. GEC, he said, was simply a hostile predator intent on taking over Plessey.

"We don't think it would be in the interest of our members or of the country if competition was destroyed and there was only one major defence company," he said.

Eight unions with members in Plessey, including white-collar organisations and the large general and electrical unions, contributed to yesterday's statement.

Mr Brooke said last night the formal position of MSF national officers would be to give evidence to the MMC which neither opposed nor supported the bid.

LIT advances to £3.5m

By Nikki Tait

LIT HOLDINGS, the financial services group, yesterday announced pre-tax profits for the six months to end-September up from £2.5m to £3.5m, but revealed a sharp fall in earnings per share.

The taxable figure comes on income of £35.7m (£28m). Interest charges amounted to £2m

However, after tax of £1.1m (£1m), earnings per share fell sharply – from 8.43p to 5.25p. This, LIT said, reflected a "transitional period". The year-end is being shifted from end-December to end-March, but nine-month figures and accounts will be produced.

There is an unchanged interim dividend of 2.7p and a final of 2.98p for the nine-month period is forecast.

The company also said that it was making an £18.2m offer to acquire the minority shareholding in Jersey General Investment Trust, where it already has a 72 per cent holding.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Black (Peter)	int	0.85	Apr 28	0.51	-	1.82
Young Group §	fin	3.25†	Mar 23	-	3.25	-
YRM	int	1.25	Mar 17	1	-	3

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market.

Control Sec £21m pub buy from GrandMet

By Lisa Wood

CONTROL Securities, the property and leisure group, has bought 128 public houses from Grand Metropolitan, the drinks group, for £21m in cash.

The pub acquisitions are the second made by Control Securities from GrandMet which is shaking-out its portfolio of pubs because of the introduction of a new tenancy scheme for its publicans. Last week it sold 26 tenanted pubs in East Anglia to Brent Walker in a £90m asset swap.

Mr Nazmu Virani, chairman of Control Securities, which recently bought Belhaven Brewery in Scotland for £18m, said the purchase was in line with his group's strategy of increasing its pub estate and developing its asset backed leisure interests.

Belhaven has been seeking to expand sales of its beers, he said, and would now be able to increase production by supplying them to his growing estate of 460 pubs.

Mr Virani said: "With this acquisition of these 128 freehold pubs we have achieved a geographical balance of our public house estate with 50 per cent of the new pubs in London and the South East which complements our retail outlets in the Midlands, North and Scotland."

Schroder Global

Schroder Global Trust, one the investment trusts run by Schroder Investment Management, said it had received an approach which might lead to an offer. Its advisers, Lazards, declined to elaborate on the announcement, saying only that a further announcement will be made as soon as possible.

Puri will block move to take British Syphon private

By Andrew Hill

MR NATHU RAM PURI is to prevent the management of British Syphon Industries taking the merchanting and manufacturing group private.

The move will prolong the saga that began in October when a management buy-out of the company was first suggested.

The recommended 155p-a-share offer was declared unconditional last week with acceptances representing 54.5 per cent of the shares. The management team has now won about 60 per cent of the company.

But Mr Puri, and Melton Medes, the private industrial group he heads, maintain that the bid was too low. They hold 25.25 per cent of the shares, enough to defeat a resolution to re-register British Syphon as a private company and remove its stock market listing.

Yesterday Mr Puri congratulated the management on winning control, and said he would support the future development. He will talk to British Syphon when he returns from holiday in two weeks' time.

Mr Puri may simply wait to see how British Syphon performs in 1989. If it prospers, he may expect to be offered more than 155p for his shares, although the management team would have to wait at least six months before buying Mr Puri out at a higher price.

On the other hand, if disappointing profits were to prevent the management team servicing debts incurred in the highly leveraged buy-out, Mr Puri would be in a position to launch an offer for the whole company. He has yet to rule out that option.

Mr Bryan Morrall, British Syphon's chairman and chief executive, who led the buy-out team, yesterday denied there was any bitterness between him and Mr Puri, who hopes to buy more shares from the remaining uncommitted shareholders.

Mr Morrall said neither the management team, nor Bankers Trust International, which is funding the deal, were panicking about the situation.

"If we want something badly enough we shall talk him into it," he said.

"Mr Puri won't be bloody-minded about it," he added. "He will ensure, by holding that stake, that we do the right things, and perhaps that is a good discipline."

Titaghur strengthens board

By Fiona Thompson

TITAGHUR, the manufacturer of jute products and the best performing share in 1988, yesterday announced three new directors in a move "to strengthen UK personnel on the board," said Mr Reg Brealey, chairman.

Titaghur is incorporated in Scotland but its operating activities are all in India.

In May last year the company had its listing on the Stock Exchange suspended because of its failure to pay the annual listing charges - the first time in recent memory, the Stock Exchange said, that it had had to take such action against a company.

Mr Brealey was at the time an investor in Titaghur. He flew to India and put to the Indian management the suggestion that he should pay the listing fees, and some other outstanding bills, and join the company as a director. Titaghur, at that time, had not published any accounts since September 1986, when it reported a pre-tax loss of £12.54m on turnover of £45.86p for the year to June 30, 1985.

This was agreed, the outstanding fees were paid and the Stock Exchange lifted its suspension in June. Mr Brealey was invited to join the board in September and named chairman. His arrival and plans to restructure and expand the business excited investors and led to the share price ending 1988 showing a 569 per cent gain.

In November the accounts for 1985/86 were published, showing a reduced pre-tax loss of £4.88m for the year to June 30, 1986. The 1987/88 figures will be published next week, said Mr Brealey.

Mr Robert Hamilton Wright, who lives in Calcutta, and Mr Robert Michael Robson, chairman of a private specialist metals company in the Midlands and author of a Country Notes column in the Financial Times, have been appointed non executive directors. Mr Peter Alan Owen, an accountant, has been named executive finance director.

Welsh Industrial

Welsh Industrial Investment Trust net asset value was up 17 per cent to 313p at October 5. Pre-tax profits amounted to £14,676 (£16,122) for six months to that date.

Churchbury

Churchbury Estates net rental income £3.06m (£2.8m) and pre-tax profit £2.27m (£1.89m) for six months to September.

UK COMPANY NEWS

Strong performance from gases gives BOC 15% lift

By Vanessa Houlder

BOC, the industrial gases and healthcare group, yesterday announced a 15 per rise in pre-tax profits, from £63.6m to £73.1m, for the three months to December 31. Turnover increased from £565.9m to £628.1m.

The figures were at the upper end of analysts' expectations, although the share price dropped back 10p to 464p. After the results, brokers BZW increased its forecast by £5m to £340m for the full year.

Mr Richard Giordano, chairman and chief executive, said that it was a good result. BOC Health Care made a slow start to the year as anticipated and would improve throughout the year, he said.

The results were boosted by a strong performance from the gases division, which increased operating profits by 29 per cent to £61.3m (£47.5m). The general buoyancy of the major world economies led to a good result from all its international operations.

Overall performance was tempered by a flat result from the health care side which made operating profits of £20.5m (£20m). This division was held back by an increase in research costs, resulting from the development of eight new anaesthetic pharmaceuticals. The costs are now roughly seven times those of five years ago.

Special products and services increased profits from £6.3m to £10m. Corporate costs rose from £2.9m to £6.1m. Following its sale, there was no contribution from the carbon graphite business which contributed £3.3m last year.

The effect of discontinued businesses and the slow performance of the US health division meant that pre-tax profits in the Americas reduced from £18.2m to £16.4m. In Europe they rose from £22.7m to £26.3m; in Africa from £10.1m to £10.2m; and in Asia and the Pacific from £12.6m to £20.2m. Earnings per share were 15 per cent higher at 10.26p (8.93p).

Economic growth helps YRM profits rise 20%

YRM, the building design consultancy, lifted its profits by 20 per cent in the half year ended October 31 1988, and is raising the interim dividend from 1p to 1.25p.

Turnover advanced 31 per cent to £3.05m (£2.12m) and the profit was £1.17m (£977,000). Earnings were up to 6.06p (5.01p).

Mr David Allford, chairman, said the group had benefited from strong economic growth. He saw no sign of any decline in demand for YRM's services and looked forward to a continuance of solid growth.

The figures did not include any contribution from Anthony Hunt Associates, the structural and civil engineering design consultancy acquired in December.

Drayton Far East

Drayton Far Eastern Trust reported net asset value of 363¾p at December 31, compared with 284¾p at the end of 1987.

UK Property sharply higher at £12.38m

United Kingdom Property Company, the property investing subsidiary of the British Land Group, nearly trebled its pre-tax profits from £4.14m to £12.38m in the six months to September 30.

Input of some £11.92m (£3.69m) from property sales more than offset the falls in gross rental income to £1.11m (£1.19m) and in net rental income to £759,000 (£1.14m) and a rise in interest payable to £697,000 (£683,000). However interest receivable totalled £395,000 (nil).

Tax took £4.44m (£1.41m). There is no interim dividend.

First Spanish

The net asset value of First Spanish Investment Trust was 78.3p at November 30 compared with 66.3p at the interim stage in 1987. Earnings per 50p share worked through at 0.47p (0.12p).

AC buys rest of Principal Hotels

AC Holdings, the former car company which has moved into financial services, has agreed to acquire the minority interest in Principal Hotels, a UK hotel operator.

Last year, AC bought 50 per cent of Principal's equity plus convertible loan stock, taking its potential stake to 56.7 per cent. It is now buying the remaining equity and loan stock for £5.2m.

AC is also negotiating to buy Mofosi Pty, which owns an office building in the City, from Mr William West and Mr Brent Potts, two AC directors.

Engineering designs of cordial antagonism

Nikki Tait examines First Technology's assault on Ricardo

Few bid battles start with the main protagonists calling each other Doug and Fred. Even fewer have holders of engineering doctorates at the head of both bidder and target.

But, then again, First Technology's assault on Ricardo, the Sussex-based designer of engines and transmissions, scarcely fits the cruder type of financial ping-pong. There is significant dimension to the bid which goes beyond the strict financial considerations.

In monetary terms, the sums involved are hardly block-buster. First Technology's all-share offer currently values Ricardo at just over £20m – equivalent to 141.7p per share on First Technology's price yesterday of 425p.

But that in no way diminishes the industrial debate. On one hand, Dr Fred Westlake, First Technology's chief executive, claims that the aim of the deal is to create a integrated, cross-selling automotive design and development business. This would be closely angled to manufacturing practicalities and clients' volume production needs.

On the other, Dr Doug Taylor at Ricardo maintains that independence from any direct manufacturing involvement is a key factor in the group's success and that there is nothing First Technology can offer it by way of contacts.

On the way, he raises questions about the climate in which skilled engineers work best – adding, for good measure, the issue of whether the bidder's terms fully reflect Ricardo's recent progress.

Ricardo has been a renowned name in engineering for years. The company's origins go back to Harry Ricardo (later knighted), who as a young inventor left Cambridge to join the family's consulting engineer's business and then became involved in the production of engines for First World War tanks.

As a result of his wartime success, Ricardo set up Engine Patents, through which a good deal of innovatory design and development work in the internal combustion engineering field continued. This later became Ricardo and Co Engineers (1927) – the name under which the company came to the stock market in 1962.

Today, the company splits its business into half a dozen areas. The first, and currently by far the largest activity, concerns contract engine design plus associated experimental work. This, reckons Ricardo, accounted for almost three-quarters of 1987-88 sales. Next comes contract transmission design – perhaps 3 per cent of turnover, but expected to increase in significance.

On top of this, there is contract vehicle design work; a consulting service offered on the engines/transmissions side which, according to Ricardo, attracts annual retainers from around 120 companies; a lubricating oil testing business, bringing in around 15 per cent of group revenues; and a small industrial design and development business.

Unfortunately for Ricardo – and its shareholders – the 1980s have not been easy. From 1982 to 1984, the pre-tax figure remained on a plateau, before jumping sharply to £2.12m in the year to end-June 1985, and £2.77m in the next 12 months.

Then came a drop to £1.37m in 1986-87 – blamed on a lower-than-expected level of orders, some technically demanding but lower margin work and an increasingly competitive environment.

This was followed by only £1.1m last year – partially reflecting the sale of the group's Cussons subsidiary but nevertheless including a marginally reduced pre-tax contribution from on-going activities. Earnings per share fell from 6p to 5.4p.

No defending company would welcome the record. Nevertheless, Dr Taylor argues that steps have been taken to correct the situation – and that First Technology's offer fails to reflect the improvements.

For a start, some 70 jobs went in mid-1987 – out of a workforce of about 370. Financial controls, he claims, have been strengthened. And moves have been made to broaden the business via the acquisitions of Tuck Engineering, a transmission design outfit now re-based primarily in Detroit, and Integral Technologies (ITI), which was started by two ex-Ford engineers and is involved in more mainstream contract engine design. ITI, based in Chicago, was acquired for an initial $900,000 last December.

The effect on the bottom line may become clearer as the bid progresses. Interim figures were due on February 23; they will now be released in the first defence document. A full-year forecast is also being considered.

But price aside, Ricardo has broader concerns. For example, there is the question of experimental work and unfunded R&D – pure research which may not be immediately commercial – which equates for about 7 to 8 per cent of its turnover. "It's a fine balance," Dr Taylor points out, "between using technology and creating technology."

Attached to this is the extent to which the company would be able to retain and attract the high-quality labour force on which it depends. "This country is extremely short of engineers, and we have 180 of the best, plus another fifty engineering technicians."

None of this deters First Technology. The company was floated off from Midepsa (then owned by Mr Michael Ashcroft and Mr David Wickens) in June 1985 – its interests comprising the manufacture and design of equipment for the car sensors, security and fire detection markets. Since then, earnings per share have risen commendably, from 11p in 1985-86 to 17.5p in 1987-88.

In 1987, there was an abortive bid for Hawtal Whiting, the UK automotive design consultancy, followed by the acquisition of Humanetics, a US crash-dummy design/manufacturing business. More recently, the group has added Anglo-Swedish, a Middlesex-based automotive engineering design group whose principal customer is Volvo.

Bid-wise, the cards tend to lie in First Technology's favour. It presently owns or has irrevocable undertakings in respect of 27.9 per cent. Ricardo's share price, at 138p, is a few pence below the value of the paper offer. And although understandably more interested in issuing its fairly highly rated paper, First Technology does have the padding of a net £10m cash balance.

But, cordialities aside, the basic culture clash underlying the bid is heartfelt. Depending on what Ricardo comes up with, it could still be a battle.

Doug Taylor (left) and Fred Westlake: the basic culture clash underlying the bid is heartfelt.

"Rationale flawed"

First Technology yesterday posted its offer document for Ricardo, claiming that its £20.6m all-share bid would marry its own expertise in "profitable exploitation of automotive design, development and manufacture with Ricardo's acknowledged powertrain knowhow". Ricardo, however, said that the commercial rationale was "seriously flawed".

The document also revealed that a 1.9 per cent interest in Ricardo, steadily amassed by Privatbank, Zurich, in May and September, and irrevocably pledged to the bid, was sold on January 30. Ricardo said it had been sending out section 212 notices to establish the beneficial owner of the holding, but received no satisfactory reply. BZW, advising First Technology, said it had yet to discuss the matter with lawyers but believed Privatbank might still be bound to supply the stock. With this included, First Technology claims to own, or have irrevocable acceptances for, 27.9 per cent.

Young Group shows 39% profit advance

In its first year as a public entity the Young Group of independent drift and open cast coal mining companies performed "particularly well", with pre-tax profits up 39 per cent.

And the current year had started well, reported Mr Robert Young, the chairman. He expected total group output to beat the levels anticipated in the June 1988 USM flotation document.

"I see a continuing high demand for home-produced coal and considerable scope for the private sector of our industry," Mr Young added.

The year 1988 saw turnover rise 28 per cent to £22.26m (£18m) and profit to £2.52m (£1.81m). Earnings worked through at 22.23p (17.86p) and the single dividend is the promised 3.25p. It is intended to pay an interim in August.

In open cast mining, in addition to the private coal sites, the British Coal contracting division had a good year, and a recent additional site in Cumbria will increase output in the second half of 1989.

Malaya joins Third Market

By Vanessa Houlder

Malaya Group, a dealer in Mercedes-Benz, Porsche and Alfa Romeo cars, is coming to the Third Market through a placing, which values it at £1.25m.

Keith Bayley Rogers is placing 2m shares at 47p each. Dealings are expected to start on February 7.

Malaya, which is led by Mr Keith Goldie-Morrison, chairman of the Stock Exchange's Quality of Markets Committee, is forecast to make pre-tax profits of at least £290,000 in 1988. That compares with £306,000 the year before and with £374,000 in 1986.

Sales of new Porsche cars, which declined in 1987 and 1988 because of price rises, are expected to increase, the company said. The current order book for the cars shows a "significant improvement" over 1988.

Cater Allen in £1m insurance purchase

Cater Allen Holdings, the financial services and discount house group, is to extend its insurance interests by buying Salix Holdings, the owner of two Lloyds underwriting agencies, Guest Barnes, and Harris and Dixon.

The acquisition cost of £1.08m will be funded partly by cash and up to £515,000 in Cater Allen shares.

Randsworth returns with £56.5m buy

By Paul Cheeseright, Property Correspondent

RANDSWORTH Trust, the property investment and development group which was extremely active buying and selling property in 1987-88, has moved back into the market with the £56.5m purchase of the St Christopher's Estate in London's West End.

It is buying the estate, as part of the wider process of building up a West End portfolio, from the Imperial Group Pension Funds.

The purchase comes after Randsworth has been reducing its variable rate debt both through property sales and the issue of debentures. Completion of the deal will come about the same time as Randsworth finalises the sale of a City of London development.

After this Randsworth's variable rate debt will rise to around £65m and the ratio of debt to assets will increase from a current 70 per cent to about 100 per cent. But the gearing should drop to around 60 per cent over the subsequent six months as Randsworth works through a programme of planned property sales.

St Christopher's Estate covers an acre north of Oxford Street and provides 130,000 square feet of office, retail and restaurant space in 35 buildings with 90 tenants. It offers Randsworth an initial yield of less than 5 per cent.

But the rents being paid on the Estate are in some cases only a quarter of those prevailing in the local market place, and it is the possibility of raising the rental income as leases come up for review that led Randsworth to the purchase.

On the stock market yesterday, Randsworth shares rose 8p to 236p.

Unilever makes Italian acquisition

Unilever has acquired Gottardi, an Italian producer of sodium silicate and metasilicate, for an undisclosed sum.

The purchase was effected through Crosfield Chemicals, part of the Unilever Speciality Chemicals Group.

Gottardi, based in Verona, has an annual turnover of L10bn (£4m). Unilever said the acquisition was in line with Crosfield's policy of servicing silicate markets from strategically placed manufacturing units.

UK COMPANY NEWS

All divisions perform well as Peter Black advances to £5m

By John Thornhill

PETER BLACK, the Yorkshire-based consumer goods manufacturer and distributor, yesterday announced pre-tax profits of £5.02m for the 26 weeks to December 3 on turnover of £73.74m.

This compares with £3.91m pre-tax on turnover of £61.35m in the 26 weeks to October 31 1987. Black's 1987-88 financial year took in the 13 months to June 4.

Earnings per share were 6.65p (5.09p) and the interim is lifted to 0.65p (0.51p).

Sales and profits were not broken down by activity, but Mr Gordon Black, joint chairman, said all divisions — footwear, homewares, furniture and toiletries and cosmetics — had performed well.

The company supplies 15 divisions of Marks and Spencer and has a large contract with the retailer's fast-expanding homeware division. Newbold Group, the women's leather footwear manufacturer acquired in March 1987, made substantial progress.

The furniture division will move into a new factory at Fakenham, Norfolk, before the end of the year and will expand into upholstery manufacturing.

The extension of Hornsea Pottery is now complete providing additional capacity for the homeware business.

Peter Black acquired Farrow & Humphreys in November 1986 and believes that its upmarket brand name in toiletries gives it considerable growth potential.

Bowater sheds peripheral arms

By Andrew Hill

BOWATER INDUSTRIES, the packaging and industrial products group, has sold its last freight services and trading subsidiary, AmAs Holding, a customs and warehousing operation based in the Netherlands.

The purchaser is Inter Forward, a Stockholm-based freight forwarding subsidiary of Swedish holding company, Ratos. It will pay more than Fl 20m (£5.76m), equal to AmAs's net asset value.

As part of its strategy of concentrating on core activities, Bowater has already announced its intention of selling the West German freight services subsidiary, Rhenania Schiffahrts-und Speditions. Its international freight forwarding business — with units in the UK, US, West Germany, and Australia — is being sold to Harper of San Francisco.

De Savary sells

Mr Peter De Savary has sold his entire holding in Leisure Investments. Before the disposal, Mr De Savary held 5.9 per cent of the ordinary.

All-round growth at Gallaher

STRONG GROWTH throughout its divisions helped Gallaher, the international subsidiary of American Brands with interests in tobacco, optics, distribution, office products and housewares, achieve a 39 per cent increase in pre-tax profits in 1988.

The taxable result of £236.4m (£169.7m) was struck on turnover up from £3.89bn to £4.12bn. There was an exceptional debit of £6.9m relating to provisions for the reorganisation of the housewares division.

Tax took £88.2m (£62.5m). Extraordinary profits came out at £2.1m (£5.5m) and took in profits of £8.5m resulting from the disposal of the group's remaining engineering companies.

In tobacco, Gallaher's main area of operation, trading profits advanced 36 per cent to £190.6m. In a static to declining UK market, the company gained both volume and market share, with Benson & Hedges Special Filter, Silk Cut King Size and Berkeley Superkings doing particularly well. Other tobacco products also performed well, especially the Hamlet cigar brand, which strengthened its dominance despite competitive activity.

The overseas tobacco companies doubled their trading profits with good results from Niemeyer in Holland and Gallaher (Dublin).

Profits in the optics division rose to £17.4m (£13.7m) with overseas companies contributing 33 per cent. Distribution moved ahead to £19.4m (£14.6m), office products increased to £12.8m (£7.8m) and housewares improved to £2.1m (£1.7m).

Dowty takes over CASE in Australia

By Clare Pearson

DOWTY GROUP, engaged in engineering and electronics, is buying for A$8.8m (£4.3m) the near 68 per cent interest it does not already own in the Australian operation of CASE Group, the UK computer networking operation it took over in a white knight move last July.

This deal follows Dowty's purchase last month of the outstanding 70 per cent interest in Mayze Systems, the UK manufacturer of modems and multiplexes, in which it also acquired a stake via the CASE takeover.

Dowty said yesterday that, as a wholly-owned subsidiary, Sydney-based CASE Communications Systems would act as a centre for its information technology sales and marketing activities in Australasia, adding to an existing presence in the Pacific Rim. The consideration is mainly in shares.

The 32.3 per cent interest in CASE Communications, as well as the 30 per cent stake in Mayze, were part of the package when Dowty took over CASE, at that time fighting a hostile bid from Gandalf Technologies of Canada, in an £80m agreed deal.

Dowty, which has recently sold its mining equipment side to its management, is pursuing a strategy of concentrating on defence, electronics, and information technology interests.

Sportsfield Equipment building up US sales

PROGRESS was shown by Sportsfield Equipment in the half year ended September 30 1988, as initial sales started to the US distributor.

And the extension to the product range and new markets meant the outlook was more positive that at any other time, the directors said.

They were confident of further increasing sales in the current six months, and for the progress to be maintained in the year 1989-90.

The company is quoted on the Small Companies Market in Dublin. It makes the Water Hog, which is a machine used to suck up water from sports fields, so saving events from cancellation.

First half sales came to I£113,711, against I£9,750 in the seven months to September 1987, and gross profit worked through to £30,914 (£3,807). Expenses took £148,947 (£125,089) and there was an exceptional debit of £86,170 last time, to leave the net loss at I£118,033, equal to £96,274 (£207,452).

Mr Conor Murray has been appointed chief executive and Mr David NcNamara joins the board in a non-executive capacity.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Planning Research, Whinney Mackay-Lewis, Wholesale Fittings.

FUTURE DATES

Interims-	
Helton	Feb. 7
Sinclair Goldsmith	Feb. 14
Finals-	
BBA	Mar. 7
General Cons Inv Trust	Feb. 15
MTM	Apr. 4
Rugby	Mar. 20
Yorkshire Chemicals	Feb. 21

SHARE STAKES

The following changes in share stakes were announced recently:

Airflow Streamline — J T Smith and B W Sutherland, who are acting jointly as trustees, have acquired 6,000 ordinary and now jointly hold 869,820 (10.18 per cent).

Ambrose Investment Trust — Orion Insurance Company has acquired 100,000 25p income shares (1.29 per cent) and now holds 400,000 (5.63 per cent).

Baltic — Scottish Amicable Investment Managers now holds 3.36m shares (9.5 per cent). Banque Paribas Capital Markets no longer holds a notifiable interest following sale in the market.

Bluebird Toys — the Scottish American Investment Company has increased its holding by 156,410 shares to 465,000 (5.92 per cent).

Brunner Investment — Mr H L Brunner has disposed of 150,00 ordinary, reducing his holding in beneficial to 4.32m (6.8 per cent) and trustee to 2.1m (3.3 per cent).

Cambridge Electronic Industries — Norwich Union Insurance Group is the beneficial owner of 2.44m ordinary (5.71 per cent) registered in the name of Norwich Union Life Insurance Society (B account). CPC Trust has raised its holdings in two companies. Its combined holding in Chillington Corp has risen to 7.36 per cent and in Williamson Tea Holdings to 11.33 per cent.

Clayton, Son & Co — Seaforth Investments has disposed of 17,500 ordinary, leaving it with 482,500 (24.12 per cent).

Coalite Group — Prudential Corporation holds 4.97m shares (5.18 per cent).

J. Combs — Robert Fleming Asset Management has bought 263,000 shares, taking holding to 3m (8.34 per cent).

Diploma — Norwich Union Insurance Group has acquired 3.2m ordinary (5.76 per cent).

Dunhill — Rothmans International has acquired from the trustees of the Dunhill Medical Trust 8m ordinary shares in Dunhill Holdings. The price of £18.4m was paid in cash. Rothmans' stake rises to 55.38 per cent.

J.H. Fenner — Scottish Amicable Investment Managers hold 2.12m shares (6.8 per cent).

Fleming Overseas Investment — National Westminster Bank has reduced its holding by 2.32m ordinary to 5.51m (4.15 per cent).

Floyd Energy — Scottish Amicable Investment Managers now controls 9.88m ordinary (11.8 per cent).

Goodman — Wickhams Cay Investments has disposed of 1.5m ordinary, reducing its holding to 5.5m.

Hartons — Norwich Union Insurance beneficially owns 5m shares (7.07 per cent).

Jones Group — Standard Life Assurance owns 618,000 shares (5.03 per cent).

Lane Walker Rudkin Industries — Brierley Investments has purchased 1.02m ordinary at prices between £1 and £1.20 for a total of nearly £1.19m. Holding now 56 per cent.

London and Metropolitan — Provident Mutual now holds 2.58m ordinary (5.01 per cent).

M and G Group — Esmee Fairbairn Charitable Trust holds 25m shares (33.1 per cent), Commercial Union Assurance 3.8m shares (5.03 per cent), and Templeton Galbraith and Hansberger is interested in 4.23m shares (5.6 per cent).

Manchester Ship Canal — Globe Investment Trust has increased its interest by 47,500 ordinary and now holds 312,500 (7.81 per cent).

Metro Radio — Ferguson Industrial Holdings has bought 153,260 ordinary and now has 2.06m (21.7 per cent). Capital Radio Investments has acquired 11,500 ordinary, raising its beneficial interest to 1.9m ordinary (20 per cent).

Midsummer Leisure — British and Commonwealth Holdings has disposed of 400,000 ordinary and now holds 5.11m (10 per cent) registered in the names of Comin 4.47m, Spry Nominees with 576,922 and British and Commonwealth Securities with 57,690.

New London — due to an error on agency tape, the holding of Langhaven given on January 16 was overstated by 50,000. The figure should have been 3.58m (6.34 per cent).

Polymark — T.N. Rosen and L.J. Kent have reduced their joint interest in the ordinary capital, registered in the name Spread Trustee Company, to less than 5 per cent.

Prestwich Holdings — Norwich Union Insurance owns 2.9m shares (7.95 per cent).

Simsa Food — G.E. Shouler, director, sold 320,000 shares at 325p each. He retains beneficial holding of 1.54m (7.24 per cent).

Softbridge — Atlantic Securities has disposed of 76,440 ordinary shares and now holds 794,416.

Suter — Mercury Asset Management recently bought 250,000 ordinary, bringing its total holding to 9.4m (7.98 per cent).

Tip Europe — BZW Investment Management purchased 50,000, increasing holding to 2.7m shares (3.7 per cent).

Titaghur Jute — following a purchase of 3,000 6 per cent cumulative preferred shares, Jove Investment Trust is now beneficially interested in 51,720 shares (11.12 per cent).

United Plantations Africa — International Plantations and Finance holds 5.58m shares (36.26 per cent).

Williamson Tea — George Williamson Holdings has bought 50,000 ordinary and lifted stake to 1.36m (59.89 per cent).

Woodchester — British and Commonwealth Holdings now has a beneficial interest in 84.36m ordinary shares (61.58 per cent).

COMMODITIES AND AGRICULTURE

China forecast to become biggest wheat importer

By David Blackwell

CHINA IS set to overtake the Soviet Union as the world's biggest importer of wheat in the year to the end of June, according to International Wheat Council estimates.

The IWC's latest market report puts Chinese imports of wheat for 1988-89 at a record 16m tonnes, compared with 15.3m tonnes in the previous year. The Soviet Union is expected to import 14m tonnes – 8m tonnes less than in the previous year.

However, total Soviet grain imports, including both wheat and coarse grains, are expected to be at least 35m tonnes – 4m tonnes above the 1987-88 level. Chinese imports of coarse grain will be only 600,000 tonnes.

The rising level of imports to both countries follows the failure of their harvests to meet production targets, says the IWC. China's grain production target for 1988, including rice, was 410m tonnes – the actual harvest is estimated at 393.8m tonnes. The official estimate of the Soviet harvest is 195m tonnes, 38m tonnes below the revised target of 233m tonnes.

China, the world's biggest grain producer, has already bought 12.5m tonnes in 1988-89, the IWC said. There have also been unconfirmed reports that it has bought 750,000 tonnes of US new crop without the help of subsidies from the US Export Enhancement Programme.

The country faces major problems in the longer term, according to the report. While yields have increased, the area under grain has diminished and the population has grown steadily. The grain target for 1989 is 410m tonnes from 112m hectares, compared with production of less than 126m tonnes from 123m hectares in 1980.

By the year 2,000, when the population is expected to reach 1.25bn, the grain harvest target will be 500m tonnes. However, some government officials consider a higher rate of output will be necessary to maintain a high rate of food self-sufficiency.

The IWC stresses the need for a balance between the financial requirements of the agricultural and industrial sectors of the economy.

"For grains the major decision could involve some relaxation of the relentless drive for self-sufficiency," says the report. While some officials believe large populations near big towns could be served most economically from continuing imports, China's ability to finance the purchases "might well depend on the pace and success of its industrial policy."

Meanwhile, the IWC has lifted its estimate for total world production of wheat and coarse grains in 1988-89 to 1.232bn tonnes from 1.218bn tonnes last month, leaving world stocks at 229m tonnes instead of 217m tonnes as predicted in December.

However, last year world stocks were 349m tonnes and in 1986-87 400m tonnes. The fall reflects the damage from last year's North American drought.

Nonoc tender fails again

By Richard Gourlay in Manila

FOR THE second time in a month the Philippines Government yesterday declared bidding for the mothballed Nonoc nickel refinery void after two bids of $350m were not accompanied by the required deposit.

The board of the Asset Privatisation Trust (APT), responsible for the sale, meets today to decide what to do following the failure of the tender.

Dallhold Nickel Management, a private company belonging to Mr Alan Bond, the Australian entrepreneur, raised a bid it made in January by $30m to $350. The APT, responsible for selling Nonoc, which ceased production in March 1986, rejected the bid because the required 10 per cent deposit was placed in an escrow account and not presented in bankers cheque.

A second bid by Gulf Sea Supplies of 7.4bn pesos ($352m) was also rejected by the APT because the 740m-peso deposit was made in the form of personal cheques. The Philippines representative of Gulf Sea said the company was registered in Singapore but would not reveal the identity of its investors. Gulf Sea does not appear in the Singapore companies register.

Mr Tomas Souter, the production manager of Queensland Nickel, a Bond investment, said Dallhold qualified its bid to show it was interested in a negotiated sale but that key factors had to be clarified. The tender document contained no guarantee of repatriation of foreign exchange receipts and no indication of the tax regime under which the 68m lbs-a-year refinery would operate, he said.

Options open to the APT include holding a third bid, inviting tenders for a lease or a management contract, adopting a joint venture approach or opening negotiations directly with investors who have shown interest, said Mr Ramon Garcia, the APT Chairman.

US farmers 'too dependent' on support

By Nancy Dunne in Washington

MR CLAYTON Yeutter, President Bush's nominee for agriculture secretary, said yesterday that American farmers were "inordinately dependent" upon support from the Federal Government and that ways must be found so that they could earn a living from the marketplace.

"This is not a healthy or sustainable situation," he told the Senate agriculture committee at his confirmation hearing.

However, President Reagan's former trade representative said that in order for farmers to become more self-reliant "we must make the world of agriculture trade function properly." He made clear that he would still play a key role in the international trade talks, which would have an impact on the 1990 US Farm Bill.

"We simply cannot rationally construct farm legislation for the 1990s until we know the outcome of the Uruguay round," he said.

Mr Yeutter was warmly welcomed by the committee in what Senator Patrick Leahy, the chairman, said was more "a canonisation than a confirmation" hearing. One senator after another brought up problems in the rural economy while assuring the nominee that he was the best man to solve them.

To complaints that the final Reagan budget proposed such steep cuts in agriculture spending that it amounted to "unilateral disarmament" in the US-EC farm dispute, Mr Yeutter said he hoped for "flexibility" in the 1990 budget. He offered to meet the committee in closed doors hearings so that the US strategy for international trade talks would not be made public.

He said he would seek influence over US tax, fiscal and monetary policies as they affected agriculture.

UK court allows tin case appeal

By Raymond Hughes, Law Courts Correspondent

"LETTERS OF comfort" given by a state-controlled Malaysian metals company to Kleinwort Benson, the merchant bank, as part of an agreement for a loan to the company's subsidiary, were not legally binding, the Court of Appeal ruled yesterday.

By giving the letters Malaysia Mining Corporation (MMC) had assumed a moral responsibility but not a legal liability to ensure repayment of the liabilities of MMC Metals to the bank, the court decided.

It allowed an appeal by Malaysia Mining Corporation against a High Court order made in December, 1987, that it must pay £12,262,323 to Kleinwort Benson.

Moral responsibility

Lord Justice Ralph Gibson said that Kleinwort Benson had suffered grave financial loss as a result of the October, 1985, collapse of the tin market and MMC's decision not to honour the moral responsibility it had assumed in order to get the finance its subsidiary had needed.

"The consequences of the decision by the defendants to repudiate their moral responsibility are not matters for this court," the judge said.

The bank was refused leave to appeal to the House of Lords but may seek leave direct from the Law Lords.

The comfort letters contained a paragraph stating that "it is our policy to ensure that the business of (the subsidiary) is at all times in a position to meet its liabilities to you under the . . . arrangements."

In the High Court Mr Justice Hirst decided that that meant that "now and at all times in the future" MMC would ensure that its subsidiary was in a position to meet its liabilities to the bank.

Lord Justice Gibson said that the paragraph had been a statement of MMC's policy and had not expressly promised that that policy would be continued in future.

There was nothing in the evidence to show that, as a matter of commercial probability or commonsense, the parties must have intended the paragraph to be a contractual promise – which was not expressly stated – rather than a mere representation of fact, which was so stated.

It was impossible to hold that the paragraph was intended to have any effect other than in accordance with the express words used, Lord Justice Gibson said.

Bhutto buoys Kenyan tea hopes

Julian Ozanne looks at the world's fourth biggest producer

PRICES FOR all grades of tea showed a marked increase at the Mombasa auctions this week after a flurry of activity by Pakistani buyers.

The Pakistanis returned in force following last week's announcement by the Islamabad Government that it was suspending all restrictions on Kenyan tea imports and reducing the import duty on packet tea from 100 per cent to 60 per cent in order to ease a tea shortage. That was the first concrete sign that the Kenyan tea industry had been granted a reprieve from what Benazir Bhutto, the Pakistani Prime Minister called the unfair economic policies of the previous Government.

According to tea brokers in Mombasa, prices moved up sharply in response to heavy buying by Pakistani buyers, who traditionally have a strong preference for good quality Kenya teas over poorer quality Sri Lankan teas. Trading was particularly strong in the good quality and good medium quality grades, where price increases averaged ranged between two and three Kenya shillings (5p to 7p) a kilogram over last week's closing price.

Pakistani purchases were accounting for nearly a third of Kenyan tea exports when, two years ago, Islamabad started restricting imports, because of an imbalance of trade between the two countries.

In 1985 Kenyan tea exports to Pakistan earned $75m while it imported goods worth $5m from Pakistan.

As tea cannot be stored Kenya was forced to search for new markets. Exports were boosted to the UK, which in 1987 took 48 per cent of Kenyan sales, but prices offered by other buyers in the Middle East and Eastern Bloc were considerably lower.

Last year prices on the Mombasa auctions – which account for more than half of tea exports – averaged Ksh 24.24 a kilogram.

Continually rising production had heightened Kenyan tea producers' worries about prices this year. But with the return of the Pakistani buyers those fears are quickly evaporating.

Kenya is the world's third largest exporter of black tea, after India and Sri Lanka. Since 1981 production has more than doubled. Last year output rose 5.2 per cent to a record 164,030 tonnes from 155,800 tonnes in 1987.

Much of this increased production has come from the smallholder sector under the aegis of the Kenya Tea Development Authority, a semi-autonomous government agency and the largest single tea producer in the world.

The authority was established in 1964 to foster the growing of tea as a cash crop by smallholder African farmers. At that time there was only 3,480 hectares of planted tea owned by smallholders. Today of the 85,420 hectares under tea, as much as 56,891 hectares is run by smallholders, under the development authority, who account for just over 50 per cent of total production – at Independence in 1963 large plantations accounted for 93 per cent.

The authority has the responsibility of providing its 156,000 farmers with credit in kind: cuttings, fertilisers, extension services and transport. It also processes the tea through its 39 factories spread across the country.

Agricultural economists believe one of the reasons for the authority's success in boosting yields and production has been its payments system. Farmers receive a uniform payment of Ksh 1.90 for each kilogram of green leaf tea they deliver to their local authority factory. They then get a second payment at the end of the financial year after the tea has been sold, based on the price fetched at auction.

This has provided a valuable incentive to farmers to increase production and quality and has given Kenya the reputation of being the finest quality tea producer in the world.

But it is this policy which has recently come under intense political attack, resulting in the launch of a government probe into the tea industry in general and the workings of the authority in particular.

The controversy reached fever pitch at the end of last year with the announcement of the second payments to farmers. As world tea prices have tumbled over the last two years the premiums for the top quality grades have held their ground and the gap between what KTDA pays good quality producers versus poor quality producers has widened.

In 1986-87 farmers east of the Rift Valley, in districts such as Meru, Embu and Kiambu, received a second payment as high as Ksh 4.50 a kilogram. West of the Rift Valley, in Kisii, Kakamega, Nandi and Kericho, payments were as low as Ksh 1.30 a kilogram.

This is a reflection of the fact that east of the Rift Valley teas tend to be of a better quality because of a more favourable climate and superior management from the development authority, in areas such as application of fertiliser and disciplined plucking policies – a key determinant of quality.

Politics has entered the tea industry because the high quality producing areas also happen to be home to the politically and economically dominant Kikuyu tribe. Non-Kikuyu politicians from western Kenya have flayed authority as being ethnically discriminatory in its payments policy and called for a uniform system of payments.

According to one senior figure in the tea industry: "This is madness. A uniform payments system would be suicidal."

Final payments to farmers west of the Rift Valley were also affected last year when bigger deductions were made by authority for leaf collection and transportation. Traditionally the cost of leaf collection has been met by a uniform levy of 38 cents per kilogram across the country.

But according to one member of the authority's board, when it discovered that it was going to make a loss of Ksh 52m on collection services for 1987-88, rather than increase the levy, which penalises efficient areas, it took the bold decision of charging the factories and leaf bases for the services they consumed. This meant that farmers in western Kenya, where smallholders are more spread out, there are less factories and roads are poorer, had greater deductions than farmers east of the Rift Valley.

When the political controversy was reaching its peak last November the Minister of Agriculture, Mr Elijah Mwangale directed that the Ksh 52m deducted by authority be repaid to the affected farmers and announced the appointment of an inter-ministerial committee to study the problems facing the industry.

Much of the criticism of the development authority has concentrated on weak management. The irony of this is not lost on senior officials in the tea industry. They point out that under the State Corporations Act the responsibility for key appointments of senior management staff in state agencies was taken away from the boards of directors and placed squarely in the hands of the president.

This has permitted an increased level of government intervention in the development authority at a critical time.

The Act also fixes the level of salaries agencies are allowed to offer their employees which has put the authority, classified as category C in the hierarchy of government agencies, at a disadvantage in attracting well qualified staff against the incentives offered by the private sector.

Financially authority has also been crippled with a debt burden incurred during the 1970s when it borrowed money for a factory expansion programme. The Government has so far refused to help with the massive foreign exchange losses it has incured on these debts with the constant depreciation of the shilling.

A further expansion programme of 16 factories was put in jeopardy last year when the World Bank in Washington refused to back the $110m project, which also involves the Commonwealth Development Corporation and European Investment Bank. The bank objected to the project on the grounds that it would increase production of a commodity which was already in oversupply on the world market.

Senior figures in the tea industry believe that decision has further weakened the ability of the financially burdened authority to fight off government intervention, and attention is now focused on the government investigation, which is expected to report next month.

"The challenge we now have in the tea industry is how do we perform well avoid politics but at the same time be sensitive to the legitimate concerns of government and the public interest, said a senior official in the Tea Board of Kenya." Tea in Kenya has always been political. The question is are we going to be constructive or destructive in our political interventions,"

SRI LANKAN tea output may fall this year by 16m kg from last year's 227m kg because of rebel strikes and excessive rain, broker Forbes and Walker, reports Reuter from Colombo.

A report published by the firm said that production in January would not exceed 14m kg, compared with 18.8m kg in the same month last year.

Mrs Chrisantha Perera, tea director of Forbes and Walker, said output was likely to fall by another 6m kg over the year because of last year's work stoppages. Official crop estimates for 1989 have not been finalised.

Production in November was affected by strikes called by southern-based left-wing rebels.

"Then while conditions returned to normal and fields brought back to a reasonable state, weather changed for the worse with excessive rain in most parts," the report said.

Repercussions of last year's disturbances will continue to be felt throughout the year and will have a distinct bearing on crop opportunities in the first quarter of 1989, Forbes added.

Last year's output was up by 13.6m kg from 1987 and was the highest crop recorded in the past two decades, the Sri Lanka Tea Board said.

It said 42 per cent, or 95.8m kg, of the 1988 crop came from low grown teas mostly sought by middle east buyers.

High grown teas totalled 76.8m kg and medium growns 54.3m.

Brokers attributed the rise to better weather.

WORLD COMMODITIES PRICES

LONDON MARKETS

COPPER prices closed at the day's ring lows on the London Metal Exchange yesterday, with the market unnerved by further erratic movement on Comex. Cash metal fell by £36.50 to £1,832.50 a tonne. The market will probably need news of fresh strike threats or production losses before values challenge recent highs, dealers said. In contrast, zinc prices moved ahead, although gains were pared by afternoon news of the end of a transport workers dispute which had threatened to disrupt supplies from Finnish producer Outokumpu's Kokkola smelter. Coffee prices improved following Wednesday's sharp decline. Gains in New York and the possibility of a cut in International Coffee Organization export quotas kept the overall tone firm. Gold prices eased further in a market dominated by currency factors.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$14.65-4.75z	+0.55
Brent Blend	$16.80-6.90w	+0.35
W.T.I. (1 pm est)	$17.71-7.76z	+0.34
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$185-187	
Gas Oil	$144-146	+2
Heavy Fuel Oil	$72-74	
Naphtha	$158-160	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$392.0	-0.5
Silver (per troy oz)♣	587c	+1
Platinum (per troy oz)	$523.0	-2.75
Palladium (per troy oz)	$139.75	
Aluminium (free market)	$2215	-20
Copper (US Producer)	149⅝-153c	
Lead (US Producer)	40c	
Nickel (free market)	800c	-10
Tin (European free market)	£4385	
Tin (Kuala Lumpur market)	20.50r	-0.01
Tin (New York)	351.5c	
Zinc (US Prime Western)	78⅞c	
Cattle (live weight)†	110.45p	+0.20*
Sheep (dead weight)†	137.91p	-2.84*
Pigs (live weight)†	81.53p	-0.25*
London daily sugar (raw)	$257.2x	-0.6
London daily sugar (white)	$288.0x	+0.5
Tate and Lyle export price	£255.5	-1.0
Barley (English feed)	£113.25w	+0.25
Maize (US No. 3 yellow)	£133w	
Wheat (US Dark Northern)	£125.55v	-0.25
Rubber (spot)♥	62.00p	-1.00
Rubber (Mar)♥	71.75p	-0.75
Rubber (Apr)♥	72.25p	-0.75
Rubber (KL RSS No 1 Mar)	313.0m	
Coconut oil (Philippines)§	$560u	-2.5
Palm Oil (Malaysian)§	$410q	
Copra (Philippines)§	$370w	
Soyabeans (US)	$190w	
Cotton "A" index	64.60c	+0.05
Wooltops (64s Super)	682p	+17

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Mar. w-Feb. v-Apr/May. u-Mar/Apr. q-Jan/Feb. x-Feb/Mar. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Mar	840	835	853 834
May	852	851	862 845
Jul	846	838	848 832
Sep	840	836	846 834
Dec	855	855	859 847
Mar	858	860	864 850
May	866	863	871 865

Turnover:6712 (6074) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Feb 1: 1107.16 (1093.00):10 day average for Feb 2: 1100.21 (1090.81).

COFFEE £/tonne

	Close	Previous	High/Low
Mar	1165	1172	1189 1160
May	1144	1132	1150 1136
Jly	1128	1112	1132 1120
Sep	1125	1103	1115 1110
Nov	1115	1100	1107 1105
Jan	1110	1100	1112 1105
Mar	1110		1103

Turnover:5912 (4665) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Feb 1: Comp. daily 119.39 (121.36); . 15 day average 123.08 (123.43).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Mar	229.00	228.20	233.40 227.40
May	232.60	229.20	235.60 229.00
Aug	231.00	227.80	231.00 229.20
Oct	229.00	227.00	231.20 227.80
Dec	228.00	225.00	224.00
Mar	225.00	223.00	225.20 223.20
White	**Close**	**Previous**	**High/Low**
Mar	284.00	283.50	294.40 281.00
May	274.50	273.50	276.50 271.50
Aug	274.00	273.00	276.00 272.50
Oct	268.00	265.00	268.00 266.00
Mar	261.00	259.50	260.00

Turnover: Raw 4059 (6979) lots of 50 tonnes. White 2610 (1581).
Paris- White (FFr per tonne): Mar 1810, May 1750, Aug 1750, Oct 1700, Dec 1675, Mar 1665

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	May	Mar	May
2100	147	160	13	62
2200	77	106	43	108
2300	33	67	97	164
Copper (Grade A)	**Calls**		**Puts**	
2800	336	275	9	103
3000	176	170	47	194
3200	71	88	140	317

FRUIT AND VEGETABLES
Lemons are plentiful in time for Pancake Day, 10-18p each (12-18p), while fewer avocados are available at 45-70p (30-65p), reports FFVIB. Early forced rhubarb is now in peak supply, 35-50p (40-55p), and nectarines are also more widely available from Cape and Chile, 25-35p (30-40p). Calabrese is still abundant at 55-95p, as are Brussels sprouts, 15-27p, and all varieties of cabbage 14-35p. Cauliflowers are now 45-70p (40-65p) following recent frosts, but the prices of carrots 10-30p and leeks 35-55p remain the same as last week. Salad prices are stable with tomatoes at 50-70p, iceberg lettuce 60p-£1.00, celery 50-65p a head and watercress 30-40p a bunch.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 19,375 tonne
Cash	2215-25	2225-30	2210	2210-5		
3 months	*2210-5*	*2215-20*	2220/2180	2205-10	2205-10	28,181 lots
Copper, Grade A (£ per tonne)						Ring turnover 41,800 tonne
Cash	1830-5	1868-70	1855/1850	1855-7		
3 months	1746-7	1780-1	1770/1745	1756-8	1747-8	64,783 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	580-3	580-3		579-82		
3 months	593-6	593-6		592-5		370 lots
Lead (£ per tonne)						Ring turnover 6,675 tonne
Cash	365-7	367-8	367	367-7.25		
3 months	368-9	371.5-2	372/368	370-0.5	369-70	9,698 lots
Nickel ($ per tonne)						*Ring turnover 1,980 tonne*
Cash	17600-700	17650-700		17750-800		
3 months	17650-700	17650-700	17800/17450	17750-800	17600-700	6,235 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 7,200 tonne
Cash	1920-30	1890-5	1945	1940-5		
3 months	1860-70	1825-30	1880/1875	1875-80	1850-65	3,796 lots
Zinc ($ per tonne)						Ring turnover 8,875 tonne
Cash	1820-30	1810-5	1825	1825-30		
3 months	1781-5	1755-60	1795/1735	1775-80	1775-80	11,775 lots

POTATOES £/tonne

	Close	Previous	High/Low
Feb	50.0	50.0	
Apr	70.8	72.6	72.0 70.4
May	84.0	86.3	86.0 83.8

Turnover 361 (1024) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Feb	155.00	164.50	155.00
Apr	163.50	167.50	165.00 163.50
Jun	158.00	160.00	158.00

Turnover 2684 (161)lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Feb	1575	1573	1582 1570
Mar	1606		1617 1606
Apr	1611	1610	1624 1610
Jul	1431	1426	1685 1430
Oct	*1585*	*1580*	*1585*
Jan	1575	1575	1575
Apr	1642	1635	1642
BFI	1607	1606	

Turnover 357 (408)

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Mar	112.70	112.60	112.80 112.25
May	116.40	116.25	116.45 115.90
Jun	118.10	117.95	118.10 117.75
Sep	102.70	102.70	102.70 102.70
Nov	105.25	105.10	105.25 105.00
Jan	108.60	108.50	108.60 108.40
Mar	111.60	111.50	111.60 111.30
Barley	**Close**	**Previous**	**High/Low**
Mar	110.25	109.90	110.00 109.90
May	112.30	111.80	112.30 111.80
Sep	100.25	99.90	100.25 99.90
Nov	103.25	102.90	103.25 102.90

Turnover: Wheat 279 (192) . Barley 95 (88) .
Turnover lots of 100 tonnes.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	391¾-392¼	223½-224
Opening	393-393½	224¼-224¾
Morning fix	392.70	224.297
Afternoon fix	391.10	224.201
Day's high	393-393½	
Day's low	390½-391	
Coins	**$ price**	**£ equivalent**
Mapleleaf	403-408	230-233
Britannia	403-408	230-233
US Eagle	403-408	230-233
Angel	403-408	230-233
Krugerrand	391-394	223-225
New Sov.	92-93	52½-53¼
Old Sov.	92-93	52½-53¼
Noble Plat	531.35-540.25	303.46-308.55
Silver fix	**p/fine oz**	**US cts equiv**
Spot	332.80	582.40
3 months	343.55	596.10
6 months	353.90	610.05
12 months	373.95	639.10

CRUDE OIL $/barrel

	Close	Previous	High/Low
Mar	16.10	15.80	16.20 15.95
Apr	15.65	15.45	15.80 15.59
IPE Index	15.85	15.78	

Turnover: 3441 (4349)

GAS OIL $/tonne

	Close	Previous	High/Low
Feb	146.00	146.25	147.75 145.75
Mar	142.25	143.25	145.00 142.25
Apr	139.50	139.50	141.75 139.25
May	136.50	136.75	139.00 136.50
Jun	134.50	134.50	136.50 134.50
Jul	135.75	135.25	137.25 135.75

Turnover 6046 (5215) lots of 100 tonnes

US MARKETS

IN ANTICIPATION of a severe cold front moving across the U.S., leading to a disruption of supply, both pork belly and hog futures rallied, reports Drexel Burnham Lambert. Bellies remained firm on good chart patterns and firmer cash prices, but hogs fell back as traders looked beyond the weather to increased hog runs. Cattle futures finished roughly unchanged as reduced packer demand was counterbalanced by bullish charts and cattle on feed report last week and the severe weather. The grains, on the other hand, were generally lacklustre, with trading dominated by local activity and in the absence of serious commercial involvement. Energy futures rallied on good overseas buying following a report that Dubai would cut production by 10 percent. In otherwise featureless markets, this was taken constructively by traders. Copper fell sharply as disappointed long-liquidation touched-off sell stops following a report showing Comex stocks unchanged. The precious metals closed lower reflecting the stronger U.S. dollar

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Feb	392.3	393.7	393.2	391.8
Mar	394.1	395.4	0	0
Apr	395.9	397.2	397.3	395.8
Jun	401.1	402.3	402.3	400.5
Aug	406.6	407.7	407.3	407.0
Oct	412.1	413.2	412.0	412.0
Dec	417.6	418.7	418.6	417.0
Feb	392.3	393.7	393.2	391.8
Apr	428.8	429.9	429.5	429.5

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Feb	520.0	523.1	0	0
Mar	521.5	524.6	0	0
Apr	523.0	526.1	526.5	521.5
Jul	522.0	525.1	525.0	521.0
Oct	522.0	525.1	522.0	521.5
Jan	523.0	526.1	524.5	524.5
Apr	526.0	529.1	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Feb	582.3	583.5	582.5	582.5
Mar	586.3	587.5	591.0	584.5
Apr	591.3	592.5	0	0
May	596.3	597.5	600.5	595.0
Jul	606.7	607.9	611.0	605.0
Sep	616.9	618.1	619.5	616.0
Dec	631.7	632.9	637.0	632.0
Jan	635.7	636.9	0	0
Mar	646.6	647.8	0	0
May	657.0	658.2	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Feb 1	Jan 31	mnth ago	yr ago
1977.8	1968.7	1974.0	1736.6

DOW JONES (Base: Dec. 31 1974 = 100)				
Spot	137.20	137.26	142.89	128.38
Futures	140.46	141.11	145.35	131.81

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	135.35	138.30	135.30	136.30
Mar	134.86	138.30	138.00	134.50
Apr	130.50	132.05	0	0
May	126.20	127.80	129.20	126.10
Jul	120.50	123.30	124.40	120.00
Sep	117.00	119.80	120.50	116.50
Dec	114.00	116.80	117.50	115.00

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Mar	17.80	17.51	17.82	17.38
Apr	17.43	17.19	17.46	17.04
Jun	16.97	16.81	17.01	16.63
Jul	16.80	16.65	16.80	16.47
Aug	16.60	16.51	16.60	16.40
Sep	16.49	16.43	16.44	16.40
Oct	16.39	16.40	16.39	16.35
Nov	16.26	16.37	16.40	16.26

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Mar	5085	5044	5090	4965
May	4680	4609	4680	4550
Jun	4540	4477	4540	4440
Jul	4490	4430	4490	4425
Aug	4495	4475	4500	4495

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1485	1484	1518	1482
May	1425	1424	1452	1420
Jul	1389	1387	1410	1385
Sep	1375	1373	1386	1372
Dec	1362	1361	1368	1359
Mar	1364	1363	0	0
May	1379	1378	1375	1375
Jul	1376	1375	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	133.99	132.11	134.75	132.56
May	130.03	128.54	130.40	128.80
Jul	128.16	126.62	128.30	126.80
Sep	126.00	125.03	126.00	125.25
Dec	123.80	121.90	124.00	123.10
Mar	123.50	119.90	0	0
May	120.70	118.40	0	0
Jul	20.00	0	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	10.26	10.26	10.55	10.19
May	10.30	10.23	10.52	10.22
Jul	10.27	10.12	10.39	10.18
Oct	10.15	10.07	10.32	10.05
Jan	9.73	9.62	0	0
Mar	9.98	9.90	10.05	9.95
May	9.86	9.85	0	0

COTTON 50,000; cents/lbs.

	Close	Previous	High/Low	
Mar	59.37	60.30	60.11	59.20
May	59.67	60.65	60.40	59.50
Jul	59.70	60.30	60.30	59.70
Oct	58.65	59.28	59.10	58.76
Dec	58.35	59.15	59.00	58.39
Mar	58.10	58.90	0	0
May	58.25	59.00	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	138.50	142.90	141.00	137.00
May	137.25	141.05	139.00	136.50
Jul	137.10	141.40	139.60	136.65
Sep	137.05	140.65	139.00	136.80
Nov	133.40	137.75	134.25	133.60
Jan	132.00	136.95	0	0
Mar	131.45	136.40	0	0
May	131.45	136.40	0	0
Jul	0	136.40	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	784/2	787/4	787/4	[illegible]
May	774/0	778/2	777/0	[illegible]
Jul	779/4	784/6	784/0	[illegible]
Aug	776/4	781/4	779/0	[illegible]
Sep	746/4	756/0	753/0	[illegible]
Nov	728/6	737/6	735/0	[illegible]
Jan	736/0	746/0	741/0	[illegible]
Mar	742/0	753/0	0	0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	22.06	22.02	22.09	[illegible]
May	22.59	22.54	22.60	[illegible]
Jul	23.11	23.06	23.12	[illegible]
Aug	23.25	23.25	23.25	[illegible]
Sep	23.45	23.40	23.45	[illegible]
Oct	23.57	23.62	23.60	[illegible]
Dec	23.72	23.77	23.75	[illegible]
Jan	23.75	23.77	23.80	[illegible]

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	245.7	247.2	246.9	244.6
May	244.0	244.9	244.7	242.2
Jul	241.9	242.2	242.3	239.5
Aug	238.7	239.5	239.0	237.5
Sep	235.0	235.0	235.0	232.0
Oct	225.0	226.0	225.0	224.0
Dec	222.2	225.2	224.0	222.0
Jan	222.5	224.7	222.0	223.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	273/0	273/4	273/2	272/0
May	278/6	280/0	279/4	278/2
Jul	282/2	284/0	283/6	282/0
Sep	275/6	278/2	277/6	275/2
Dec	274/0	276/6	276/4	273/6
Mar	280/0	283/2	282/4	279/2
May	282/2	285/0	282/4	282/2

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	427/2	431/6	435/0	426/0
May	425/4	427/0	429/4	425/0
Jul	407/6	409/6	412/0	407/0
Sep	413/0	416/0	416/4	411/4
Dec	423/2	424/6	426/6	422/4
Mar	426/6	426/0	428/4	426/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	75.07	75.07	75.22	74.77
Apr	76.02	76.30	76.45	75.87
Jun	75.42	75.30	75.35	75.00
Aug	73.05	73.00	73.20	72.90
Sep	72.25	72.25	0	0
Oct	72.07	71.97	72.20	71.90
Dec	73.15	73.05	73.40	73.15

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	43.40	43.62	44.20	43.25
Apr	42.95	43.65	43.90	42.80
Jun	47.80	48.27	48.55	47.77
Jul	48.17	48.70	48.90	48.10
Aug	47.32	47.70	47.85	47.02
Oct	44.00	44.17	44.50	43.85
Dec	45.75	46.00	46.00	45.75

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	39.70	39.45	40.00	39.15
Mar	40.05	39.87	40.45	39.55
May	41.35	41.45	41.95	41.05
Jul	42.32	42.58	43.20	42.20
Aug	41.82	42.36	43.10	41.75
Feb	54.60	54.90	54.60	53.55
Mar	52.00	52.00	0	0

LONDON STOCK EXCHANGE

Equities resistant to profit-taking

Account Dealing Dates		
First Dealings		
Jan 16	Jan 30	Feb 13
Option Declarations		
Jan 26	Feb 9	Feb 23
Last Dealings		
Jan 27	Feb 10	Feb 24
Account Day		
Feb 6	Feb 20	Mar 6

*New-time dealings may take place from 9.00 am two business days earlier.

UK EQUITIES turned in a somewhat mixed performance yesterday as minor profit-taking was again absorbed by a market still nervous of a more pronounced technical setback. Shares opened weakly in pre-market trading but were revived by developments on the takeover front. Major market indices benefited from a substantial rise in shares of Consolidated Gold Fields after the UK Monopolies and Mergers Commission cleared Minorco's bid approach.

After moving between an early low of 2032.6 and a day's high of 2047.4, the FT-SE Index closed a net 3.7 up at 2043.4. Traders in the international stocks professed themselves well pleased with the final tone, since Wall Street, believed to be in a sensitive zone, was easier when London closed. Seaq turnover of 571.2m shares, against Wednesday's 815.9m, appeared to indicate reduced pressure as prices eased, but both totals incorporate retail and inter-market business, making trends difficult to spot immediately.

The blue chips showed an irregular pattern, with BP again weakened by this week's clutch of adverse comment from London securities houses, but ICI continued to gather strength as the market awaited the 1988 *profits statement now* only three weeks away.

The UK monopolies clearance for the Consolidated Gold Fields bid had widespread significance for the UK equity markket, as well as boosting the Gold Fields price by well over £1. It soothed fears prompted by the UK official ruling on the Kuwait stake in BP that a wider definition of "the public interest" might be applied to takeover bids;this could, for example, have had implications for the spate of international bids in the UK foods sector.

Yesterday morning also brought a £91m counter from Cadbury Schweppes to the Swedish offer for Bassett Foods, the sweets and confectionary group, and there was activity in Scottish & Newcastle and in MB group, both involved in takeover forays from overseas.

Also encouraging was the absence of rights issue news, another potential threat to current share price levels. Mr Bill Smith, equity strategist at Prudential-Bache, commented that corporate balance sheets are strong at present, so that fund-raising plans may be held over until the second or third quarter of the year.

Kleinwort Benson Securities, reviewing the state of the equity market, said that the *sharp run-up in equities* over the past few weeks had significantly reduced the high liquidity of funds. However, it believes that the downside is "very limited", noting that successive tests of the market have "always drawn in longer term money". Any further setback, says Kleinwort, will attract more fund investment.

FINANCIAL TIMES STOCK INDICES

	Feb. 2	Feb. 1	Jan. 31	Jan. 30	Jan. 27	Year Ago	1988/89 High	1988/89 Low	Since Compilation High	Since Compilation Low
Government Secs	88.67	88.45	88.43	88.57	88.78	89.25	91.43 (18/4/88)	86.18 (14/12/88)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.10	97.17	97.17	97.09	97.12	95.74	98.67 (25/5/88)	94.14 (6/1/88)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1667.8	1665.4	1674.4	1686.4	1638.9	1410.9	1674.4 (31/1/89)	1349.0 (8/2/88)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	167.1	167.0	169.3	170.6	173.9	241.7	312.5 (7/1/88)	160.7 (3/1/89)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Dt. Yield	4.39	4.40	4.39	4.41	4.49	4.43				
Earning Yld %(full)	11.00	11.02	11.01	11.06	11.23	11.18				
P/E Ratio(Net)(☆)	11.03	11.00	11.01	10.96	10.81	10.93				
SEAQ Bargains(5pm)	32,162	38,612	46,853	49,963	50,982	22,715				
Equity Turnover(£m)†	-	1843.41	1948.89	2226.30	2229.68	1167.51				
Equity Bargains†	-	51,647	61,610	61,587	52,787	28,485				
Shares Traded (ml)†	-	700.3	804.2	949.4	899.2	425.1				

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1660.7	1664.6	1664.5	1662.6	1665.6	1665.9	1667.1	1666.1

DAY'S HIGH 1667.8 DAY'S LOW 1660.7

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. ☆Nil 10.96 †Excluding intra-market business.

● S.E. ACTIVITY

Indices	Feb.1	Jan.31
Gilt Edged Bargains	107.4	107.9
Equity Bargains	334.6	400.51
Equity Value	3726.0	3939.4
5-Day average		
Gilt Edged Bargains	114.5	118.6
Equity Bargains	342.4	326.7
Equity Value	3953.8	3996.5

● London Report and latest Share Index: Tel. 0898 123001

Bid alert at Gold Fields

Clearance by the Monopolies and Mergers Commission of Minorco's attempt to take over Consolidated Gold Fields immediately alerted expectations that Minorco will return with an increase on its previous £2.9bn bid, the largest ever seen in the London market. Gold Fields' shares leapt ahead in heavy trading, touching 1450p before closing at 1420p, a gain on the day of 117p on turnover of 6.8m shares.

Minorco's bid, which lapsed under monopoly reference rulings, was worth around £13 for each Gold Fields share. It must bid again, within three weeks, or wait for another year. Market predictions yesterday were for a new offer in the £15 to £21.50 range, probably with a larger cash element than previously. Gold Fields is expected to revalue its assets shortly as a defensive move – some analysts say the board will quote a figure as high as £21.50 a share.

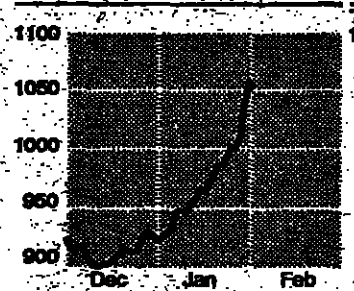
Last night's closing price was closer to the more conservative forecasts from the market. Phillips & Drew (P&D) has valued Gold Fields' assets at £16 a share and expects a bid of £14.50. The recent improvement in the London equity market has little relevance for Gold Fields' assets, says P&D. Fellow mining group RTZ added 7 to 512p on the back of the Gold Fields move.

Berisford hopes

The news that Irish meat millionaire Mr Larry Goodman has taken a 4.9 per cent stake in diversified conglomerate S & W Berisford attracted speculators to the stock on the hope that a bid for the UK group might be forthcoming. The shares rose sharply in early trading to a high of 439p, before falling back to close at 426p, up a net 14, on turnover of 4m shares.

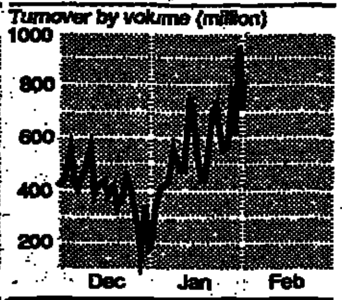
Comparisons were immediately made with Goodman's 7 per cent stake in Unigate, and the fact that shares in the dairy group have made good ground in recent months on hopes that Goodman would be part of a consortium bid. However, the market later took a more considered line, treating Goodman as a more likely friend than foe. One analyst who not excited about the news was Mr Carl Short of Kitcat & Aitken. He said of the deal: "Larry Goodman has taken a significant investment *stake in Berisford but it should* not necessarily be seen as forming a platform for a bid. It appears that his motives for

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



purchasing this stake are different to his motives for buying the stake in Unigate."

Unigate fell 4 to 360p as dealers said that the Berisford move reduced the chances of a Goodman bid for the dairy group.

Bassett knight

Weeks of speculation that a white knight would rescue Bassett Foods from the unwanted approaches of Swedish group Procordia ended yesterday when Cadbury Schweppes stepped in with an agreed £91m offer for the sugar confectionery manufacturer. Soon after the announcement, Cadbury went into the market through broker Hoare Govett and picked up nearly 15 per cent of Bassett for around 577p a share. After a hectic day, Bassett closed up 53 at 558p on turnover of 4.7m shares, while Cadbury ended just 2 easier at 362p in moderate trading.

It appeared unlikely that Procordia, which originally offered £63m for Bassett, would come back with a higher bid, said dealers. As for Cadbury's intentions, analysts believed the takeover will herald a major reorganisation of the fragmented UK sugar confectionery industry. "From the Cadbury angle it looks quite good news," said Mr Jerry Evans of County NatWest WoodMac. "They have paid a reasonable price for Bassett and if it is integrated into Cadburys' existing distribution network then there should be some major savings to be made."

Amstrad came under another bout of major selling pressure after Flemings downgraded their profits forecasts. Mr Nigel Burton at Flemings has reduced his current year forecast for Amstrad by £5m to £167m and labels the stock a "sell". He highlights recent news that availability of many Amstrad products is "limited," and says that "with reduced first half profits of £75m expected, the company needs a very strong second half to meet current expectations of increased profits for the year. A shortage of products may make that difficult to achieve. We fear our current year estimate could be subject to further erosion," Mr Burton concludes.

Amstrad shares dropped to 173p but good support developed around that level, dealers said, leaving the shares only a net 3¾ off at 177¼p. Turnover came out at 11m shares, well up on normal levels of activity.

First quarter profits from BOC were in line with market forecasts and there was little to do but take profits, a trend which left the shares 8 easier at 466p. Firmness in the dollar helped some other overseas earners, notably ICI, 10 up at 1173p, and Beecham 6 higher at 552p.

Australian stories questioning the current financial position of Bond Corporation unsettled the two major UK trading concerns in which the antipodean group is a large shareholder. The reports were strongly refuted by Bond Corporation which called the talk "mischievous and without foundation", but Lonrho and Allied-Lyons both encountered nervous selling and lost ground. Lonrho ended 7 down at 344p and Allied 8 lower at 479p.

The Consgold/Minorco developments led to considerable action in aggregates to construction group Tarmac, the shares of which raced higher to close 10½ firmer at 276p on turnover of 7.7m. Raine Industries jumped 6 more to 103p following a seminar at BZW, the securities house.

Electrical retailer Dixons maintained its recent good form, rising 7½ to 160½p on turnover of 6.6m shares as vague stories circulated in the market that the group would be the target of bid from Boots, or a French consortium, or its own management.

Storehouse dropped 3¾ to 193p in light trading amid reports that property group Mountleigh might have sold its stake in Storehouse to US arbitrageur Mr Asher Edelman. However, one senior market-maker was quick to refute the story; he said that in fact Edelman had attempted, in vain, to sell his holding in the market only last week.

Racal Electronic shares were outstanding, advancing 6 to 350p, after 353p, on turnover 8.7m. Dealers attributed the latest show of strength to persistent talk of a possible bid for the company, and market suggestions that McCaw, the US cellular radio group where British Telecom recently picked up a 22 per cent stake for £1.5 bn, is about to launch a bid for Lynn Broadcasting, another of the leading US cellular phone groups, on generous terms.

Any further moves to acquire cellular phone companies would lead to another rerating of Racal Telecom and therefore Racal Electronics, according to dealers. Racal shares were additionally boosted by a "buy" note issued by Mr Piers Whitehead at Flemings. Mr Whitehead says "as well as being the fastest growing major electronics company in Europe, Racal has the attraction of a break up value some 70 per cent higher than the current share price.

Flemings also posted "buy" labels on STC, Plessey, Cable & Wireless, FKI and GEC. The last-named drew good support from most of the big securities houses, closing 6 up at 222p on turnover of 10m, with dealers talking of a number of upgraded profits projections for the group.

In a lively Foods sector bid speculation surrounded several stocks, most notably United Biscuits (UB). One marketmaker said that news of the Larry Goodman stake in S & W Berisford had set off speculation that A B Foods might sell its stake in Berisford to Larry Goodman and use the cash to make a bid for UB. While he regarded *this as unlikely*, he still believed that corporate activity was on the horizon, probably an offer from UB for RJR Nabisco's European biscuit operations, and the shares closed 3¼ firmer at 330¼p on turnover of 3.4m shares. A B Foods ended the day 6 better at 344p.

The latest and more encouraging report on drilling progress aroused another sprightly turnover in shares of Eurotunnel, up 50 more to 683p. Continental investors, led by the French, were the larger buyers, although numerous smaller orders were received from UK sources. Volume yesterday was believed to have exceeded Wednesday's figure, which totalled 3m shares.

Views that the shares still represented good value lifted **Rank Organisation** *6 more to* 836p and **MB Group** 7 to 294p. Speculative bid hopes raised Evered 5¼ to 133p while impressive *first-half* results took **Peter Black** up 6 to 161p. **AIM** was further stimulated by the award of a large US contract and advanced 20 to 333p. **Sykes-Pickavant** rose 16 to 120p and **Copymore** gained 13 to 144p, while news of the share placing and appointment of a new chief executive boosted **Maxiprint** 6 to 23p.

Television stocks extended their recent sharp gains with John Sanderson, sector analyst at County NatWest noting in *his latest commentary* on the sector, "improved sentiment and chronic shortage of stock have combined to drive shares prices sharply upwards. There is more to go for." The best performers were **Scottish TV**, up 22 at 422p, and **Central Independent**, which jumped 20 to 674p.

The announcement that the MMC had cleared the Minorco bid for Consgold lifted Scottish & Newcastle 8 to 427p - a ruling on the Elders IXL bid for the brewer is due within the month and some dealers expect a similar outcome.

Hopes of a consortium or management buy-out continued to inspire strong support of **Reed International** and the shares rose 16 further to 452p. **Monotype**, weak recently because of the profits warning, recovered 12 to 172p but **Moss Trust** dipped 6 to 36p on news that the company had slipped into the red and was unlikely to pay an interim dividend.

Antofagasta Holdings drew interest as BZW advised that it "is likely to benefit from strong copper profits both from its low-cost mining activities and via rail freight revenues, which are linked to the copper price and paid in US dollars". The securities house is forecasting annual profits of £20m, compared with £12.2m last time, when the company reports next month. Antofagasta shares gained 14 to 333p.

Bid approaches or further developments in existing takeover situations brought several features to the Trusts sector. **Schroder Global** responded to an approach, rising 19 to 271p, while **Asset Trust** *jumped 16* to 85p on news that Jersey General, up 90 at 505p, was the owner of over 71 per cent of the capital and that its offer would close on February 24.

Ultramar ended another volatile day at 306½p, a net decline of 3, having pushed up to 312p earlier in the session, with turnover coming out at 4.6m. Dealers and anlaysts remained convinced that a significant stake, apart from the 4.3 per cent held by Noverco/Unigesco/Banque Paribas, the 14 per cent held by Sir Ron Brierley and the 2 per cent held by Premier, is currently being accumulated.

Structural steel group **Graham Wood** enjoyed a satisfactory debut; after coming to the market at 195p, the shares ended on a premium of 6 at 201p.

Turnover in traded options reached the modest total of 33,001 contracts, including 22,290 calls, with index trading coming to 3,491 contracts, in which were 2,270 calls.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 25

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	939	152	+2	Commercial Union	734	387	+3	Land Securities	333	595	+3	Rothmans	1,100	487	-1
Allied-Lyons	2,250	479	-8	Cons. Gold Fields	6,840	1420	+117	Laporte	261	424	+5	Royal Bk. Scotland	372	397	+1
Amstrad	13,950	177	-4	Costain	874	306	+2	Legal & General	1,190	332	+3	Royal Insurance	817	442	+1
Argyll Group	3,508	195	+½	Courtaulds	1,700	314	+5	Lloyds Bank	1,508	358	+3	STC	1,858	317	+3
Ass. Brit. Foods	465	344	+6	Dalgety	746	347	+3	LASMO	812	496	+1	Saatchi & Saatchi	1,358	395	
BAA	2,500	302	-2	Dixons	6,555	160½	+7½	Lonrho	3,516	344	-7	Sainsbury	732	236	+1
BAT	1,600	546	-2	Eng. China Clays	751	504	+6	Lucas	912	633	+4	Scott & Newcastle	1,308	427	+8
BET	1,700	255½	+1½	Enterprise Oil	379	537	-4	MB Group	2,800	294	+7	Sears	2,700	125	
BICC	511	435	+3	FKI Babcock	2,650	142½	+½	MEPC	1,300	574	+3	Shell Transport	1,500	374	-1½
BOC	5,700	466	-8	Fisons	3,100	265	-3	Marks & Spencer	2,108	176½	+½	Siebe	175	464	-3
BPB Inds.	3,008	247	+7	Gateway Corp.	4,300	178½	+1	Maxwell Comm.	747	202		Slough Ests.	335	346	+7
BTR	1,600	341½	-3½	General Accident	159	962	+2	Midland Bank	1,800	461	+5	Smith & Nephew	1,400	133	
Barclays	3,900	459	-5	General Elect.	10,000	222	+6	Nat. West. Bank	1,900	586	-4	Standard Chartd.	218	545	
Bass	250	914		Glaxo	1,795	1229	+4	Next	2,700	146	+1	Storehouse	1,100	193	-3¾
Beazer	1,100	206	+1	Globe Inv.	355	164¼	-1	Northern Foods	724	309		Sun Alliance	460	1123	-3
Beecham	1,200	552	+6	Glynwed Int.	1,800	321	+3	Pearson	110	732	+7	T&N	251	192	-1
Blue Arrow	2,900	85¼	+½	Granada	1,300	376	-2	Pearl	109	428	+1	TSB	4,800	121½	
Blue Circle	627	479	-6	Grand Met.	1,900	511		P & O	1,709	646	+4	Tarmac	7,676	276	+10½
Boots	1,100	251	-2	GUS A	114	1079	-2	Pilkington	1,508	245		Tate & Lyle	690	235	+5
British Airways	2,400	166	+2	GRE	1,374	213		Plessey	1,180	243	+2	Tesco	4,500	159	+2½
Brit. Aerospace	2,600	522	-2	GKN	796	352	-1	Polly Peck	328	303	-2	THORN EMI	371	738	+5
Brit & Comm.	1,200	234	+2	Guinness	2,980	387	-2	Prudential	3,500	176½	+2	Trafalgar House	1,008	328½	-4½
British Gas	7,698	183	-1½	Hammerson 'A'	454	616	+12	Racal	8,698	350	+6	Trusthouse Forte	1,700	277	+1
British Land	511	367	+1	Hanson	5,798	176	-½	Rank Org.	604	836	+6	Ultramar	4,600	307	-2½
BP	7,800	274½	-4	Harrisons & Cros.	135	699	+4	RMC	344	584	+6	Unilever	2,000	534	+1
British Steel	13,002	76½		Hawker Siddeley	452	647	+3	RHM	506	392	+1	United Biscuits	3,600	330½	+3½
British Telecom	2,808	287	+½	Hillsdown Hldgs.	2,108	275½	+½	Reckitt & Colman	272	1062	+7	Utd. Newspapers	951	426	+5
Burmah Oil	700	545	-3	IMI	647	229	-½	Redland	1,480	487	+7½	Wellcome	1,300	476	-2
Burton	2,108	281	-1	Imp. Chem.	2,280	1173	+10	Reed International	4,700	452	+16	Whitbread 'A'	345	336	-4
Cable & Wireless	2,792	429	+2	Inchcape	785	234	+2	Reuters 'B'	588	618	-4	Williams Hldgs.	1,208	271	+3½
Cadbury Schweppes	2,600	362	-2	Jaguar	1,300	311½	+8½	RTZ	6,400	512	+7	Wimpey	641	287½	+3½
Coats Viyella	2,708	155	-1	Ladbroke	1,900	496	-2	Rolls-Royce	2,700	161	+1	Woolworth Hldgs	1,008	277	-6

NEW HIGHS AND LOWS FOR 1988/89

NEW HIGHS (...): ... Conder, Gleeson (M.J.), Rush & Tompkins, Venture Plant, CHEMICALS (2) Jeyes, Rentokil, STORES (1) Caldors Ord., ELECTRICALS (3) ENGINEERING (8) Alles Conv. Equ., Christy Hunt, Morris Ashby, Ratcliffe (G.B.), Wheway, FOODS (3) HOTELS (3) Friendly Hotels, Queens Moat, INDUSTRIALS (31) AAH, AIM, Apollo Metals, Barry Wehmiller, Caparo Inds., Charter Cons., Chieftan, Cosalt, EIS, Eleco, Excalibur Jewellery, ISA Intl., IWP Intl., Magnolia, Marling Ind., Melville, NMC 7¾pc Acc Rd Pf., Norfolk House, Nu-Swift, OCE 8pc Cv 1987-92, Porter Chadburn, RCO, Securicor "A", Securiguard, Security Servs., Serco, ... Estates & Agency, Frogmore Ests., Randsworth Tst., TRUSTS (18) OILS (1) Brit. Borneo, OVERSEAS TRADERS (1) Antofagasta, MINES (8) RTZ. Da. 9½pc Ln 1995-2000, Young Grp., THIRD MARKET (1) Rentaminster.

NEW LOWS (12).
CANADIANS (2) Augustin Expln., Denbus Memory, STORES (1) Hogg Robinson, ELECTRICALS (1) Alphameric, LEISURE (1) Hi-Tec Sports, PROPERTY (1) House Prop London, TEXTILES (1) Mackay Hugh, OILS (1) Adelaide Pet., MINES (6) ERGO, Vaalerspost, Eastmet, Paragon Res.

FT LAW REPORTS

Norwegian law and reinsurance

VESTA v BUTCHER
House of Lords (Lord Bridge of Harwich, Lord Templeman, Lord Griffiths, Lord Ackner and Lord Lowry): January 26 1989

IDENTICAL warranties in back-to-back insurance and reinsurance contracts have the same effect in each policy, in that the effect in the reinsurance contract is governed by the effect in the original insurance. Accordingly, where breach of warranty irrelevant to the loss cannot avoid the original insurance under its governing law, such breach cannot avoid the reinsurance contract despite its English governing *law and* express words to the contrary.

The House of Lords so held when dismissing an appeal by *representative underwriter*, Mr JNE Butcher, from a Court of Appeal decision (*[1988]1 FTLR 78*) that he and other underwriters were liable to indemnify a Norwegian insurance company, Forsikringsaktieselskapet Vesta, under a reinsurance contract.

LORD TEMPLEMAN said that Vesta insured a Norwegian fish farmer. It reinsured 90 per cent of the liability with the underwriters. The fish farmer suffered loss as a result of storm damage and Vesta paid the loss.

When the insurance and reinsurance policies were under negotiation the brokers required them to incorporate a warranty that a 24-hour watch would be kept over the site.

A claims control clause provided that in the event of loss no payment should be made without the underwriters' consent.

The policies also provided that "failure to comply with any of the warranties . . . will render this policy null and void."

A 24-hour watch was not kept on the fish farm, so that there was a breach of warranty in each policy.

Under Norwegian law, which governed the insurance policy, the breach of warranty did not render the policy null and void despite the express words of the policy, because the breach was irrelevant to the loss [See the Norwegian Insurance Contracts Act 1930, section 51]. A 24-hour watch could not have prevented the loss of fish caused by the storm.

Under English law, which governed the reinsurance policy, the breach of warranty, whether relevant to the loss or not, rendered the reinsurance policy null and void. Therefore, said the underwriters, they were not liable to pay Vesta under the reinsurance policy, though Vesta was liable to pay the fish farmer under the insurance policy.

In the present proceedings Vesta sought to recover 90 per cent of the loss from the underwriters. Mr Justice Hobhouse and the Court of Appeal found in favour of Vesta. The underwriters appealed.

The question was whether the reinsurance policy on its true construction insured 90 per cent of Vesta's liability under the insurance policy, or 90 per cent of the liability which would have been *incurred by Vesta if the* insurance policy had been governed by English law.

By the reinsurance policy in terms inelegant and ungrammatical, the underwriters agreed to reinsure against loss on the same terms and conditions as the original policy "and to follow the settlements" of Vesta.

The reinsurance policy thus emphasised that the two policies were on identical terms, that the risks of the underwriters and the Vesta were identical and that a claim settled under the insurance policy would be a claim payable under the insurance policy.

The provision incorporated in the reinsurance policy that on a breach of warranty the reinsurance policy should become null and void was identical with the provision in the insurance policy that on a breach of warranty the insurance policy should become null and void.

In the absence of any express declaration to the contrary in the reinsurance policy, a warranty must produce the same effect in each policy.

The effect of a warranty in the reinsurance policy was governed by the effect of the warranty in the insurance policy, because the reinsurance policy was a contract by the underwriters to indemnify Vesta against liability under the insurance policy.

The reinsurance policy could have provided expressly that the warranties were to have different effects in the two policies. It could have limited the underwriters' liability by providing that a breach of warranty by Vesta would absolve the underwriters even if an identical breach of warranty by the fish farmer did not absolve Vesta.

Mr Walker for the underwriters submitted that the "follow settlements" clause, which provided for the reinsurance to follow Vesta's settlements, was emasculated by the "claims control clause" which provided that no payment or compromise should be made without the underwriters' consent of.

The follow-settlements clause showed that a compromise of Norwegian proceedings brought by the fish farmer against Vesta was intended to bind the English underwriters. The claims control clause showed that the underwriters were entitled to negotiate a settlement of the Norwegian proceedings brought by the fish farmer against Vesta.

Neither the settlements clause nor the claims control clause indicated that if Vesta or underwriters on its behalf, unsuccessfully defended proceedings brought by the fish farmer in Norway on the grounds that he had committed a breach of warranty, the underwriters might nevertheless successfully defend proceedings brought by Vesta in England on the ground that an identical breach of warranty had been committed.

The reinsurance policy on its *true construction*, insured 90 per cent of Vesta's liability under the insurance policy. The appeal should be dismissed.

LORD GRIFFITHS said it was disturbing that the underlying document, form J1, used in the Lloyd's market, should be framed in terms which were inelegant, ungrammatical and obscure. The litigation was conducted on the basis that the terms of the insurance and the reinsurance policies were the same. In so far as that assumption must be accepted his Lordship agreed that the appeal *failed for the reasons given* by Lord Templeman and Lord Lowry. However, he was not persuaded that on its true construction form J1 did make the terms of the original policy terms of the reinsurance policy. If it did have that effect it was a highly unsatisfactory way of conducting reinsurance business and likely to lead to many unnecessary disputes.

LORD LOWRY said that the question was whether the 24-hour watch warranty should be given the same meaning and effect in the contract of reinsurance as it had in the Norwegian contract of insurance.

In the Court of Appeal Lord Justice Neill had said that the history of negotiations and form of documents showed that in essence the insurance and the reinsurance were back-to-back. He said *the follow-settlements* clause, however much emasculated by the claims control clause, could not be ignored, and that as a matter of construction of the reinsurance contract and the presumed intention of the parties, the watch clause had to be given the same effect as it was given in the underlying insurance contract.

Reinsurance was *prima facie* a contract of indemnity. The slip under which Vesta was reinsured incorporated Lloyd's form J1, a standard form of reinsurance policy. It was a reinsurance "to follow the settlements" of Vesta under which the underwriters bound themselves to make good all losses.

The intention of the underwriters and Vesta to enter into a legally binding contract of indemnity was absolutely clear.

It was a problem of construction of the reinsurance contract, not a problem involving an imputed choice of law.

The words "*it is warranted* that a 24-hour watch be kept over the site" were clear in any language and meant what they said. The important words were "failure to comply with any of the warranties . . . will render this policy null and void".

The original insurance contract was governed by Norwegian law. Consequently "failure" in that phrase in the Norwegian contract meant "relevant failure", that is causative failure, under Norwegian law.

"*Failure to comply*" had, despite the general rule of English law, the same meaning and effect in the English contract of reinsurance. The parties to that contract were deemed to have used the same dictionary, a Norwegian legal dictionary, to ascertain the meaning of the terms and conditions, including the conditions relating to the 24-hour watch and the words "failure to comply". There was no need to treat the reinsurance contract as partly governed by Norwegian law, except in the special sense that one must *resort to Norwegian law to inter*pret and understand the meaning and effect of the wording in both contracts.

The appeal should be dismissed.

LORD BRIDGE and LORD ACKNER agreed for the reasons given by Lord Templeman and Lord Lowry. Lord Bridge also agreed with Lord Griffiths's views as to the desirability of the Lloyd's standard form of reinsurance being redrafted in grammatical, intelligible and unambiguous language. He said that the only people who could expect to profit from the obscurities of the present form J1 were the lawyers.

For the underwriters: Timothy E Walker QC and Andrew Smith (Clyde & Co)

For Vesta: Andrew Longmore QC and Adam Fenton (Richards Butler)

For the brokers: Michael Ogden QC and Christopher Purchas (Hewitt Woollacott & Chown)

Rachel Davies

Barrister

APPOINTMENTS

Senior posts at Noble Lowndes

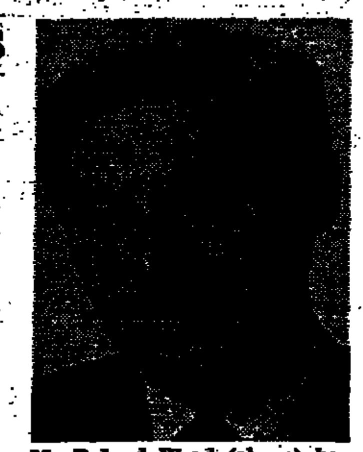
■ NOBLE LOWNDES, the employee benefits and actuarial services company, has made the following appointments. Mr Tom Geoghegan is appointed chief actuary. He succeeds Mr Brian Coote who is retiring from his executive posts but remains as a consultant.

Mr Arthur Duff is appointed marketing director, Noble Lowndes & Partners. He was previously managing director of Noble Lowndes Pensions and now becomes deputy chairman. He also joins the board of Noble Lowndes Personal Financial Services.

Mr Ben Carroll takes over as managing director of Noble Lowndes Pensions. He is succeeded by Mr David Pearce who joins the board of Noble Lowndes Pensions as director responsible for its international region.

Mr Michael Sefi has become compliance officer and joins the board of Noble Lowndes Pensions.

■ Mr Nicholas Nightingale has become company secretary designate at TATE & LYLE to succeed Mr Colin McFie who will be retiring in June. Mr Nightingale is a director and company secretary of Rowntree.



Mr Roland Ward (above) has joined THE MORTGAGE CORPORATION from Bank of America as finance director. This new position has been created in response to the company's increasing involvement in the capital markets.

■ PRUDENTIAL HOLBORN, the financial services arm of the Prudential Corporation, has appointed Mr Robert Leach to the newly created post of divisional director-national accounts. He was formerly sales manager at Royal Life Fund Management.

■ Sir Peter Meinertzhagen has joined BOOKER TATE as a non-executive director.

■ JOHN WOOD GROUP has appointed Mr Mitchell Semple as group financial director. He was financial director of Anderson Strathclyde.

■ Mr David Allsop, chairman of McKinley Allsopp, a subsidiary of Merchants Corporation, has been made a non-executive director of ABINGWORTH.

■ Lloyd's brokers BALLANTYNE, McKEAN & SULLIVAN have made the following promotions: Mr Hugo E. Crawley and Mr Anthony G. Hill have become executive directors, while Mr James D. Cattanach and Mr Adam C. Leegood have been appointed assistant directors.

BMS Marine Services, an associate company, has promoted Mr Timothy J. Paske and Mr Nicholas J. Titcomb to assistant directors.

■ Following the retirement of Mr Richard A. Johnson as chairman and director and Mr Robert M. Johnson as director, JOHNSON SEEDS is restructuring its board as follows: Mr Richard Johnson, chairman and managing director, Mr Michael Johnson, research and development, Mr James Johnson, export, Mr Andrew Trapnell, financial and financial secetrary, Mr Derek Whelbourn, wholesale, Mr Richard Bence, sales and marketing, and Mr Michael Goodliffe, production.

■ Mr Jenny Heap has been appointed director of human resources and quality at BELL AND HOWELL. She was previously with British Telecom. Mr Mike Muller has become director of sales and marketing Europe. Mr David Budge has been made director of UK sales and marketing and Mr Mike Morris director of purchasing and distribution.

■ Mr P.A.F. Dingli has been appointed deputy chairman and Mr M.P.P. Greensted a director of SEDGWICK UK (LONDON).

■ BAYFORD ENERGY has made the following board changes within its subsidiaries: Mr Martin Platt has been appointed a director of Whitfleet, Fleet Storage Co and Bayford (North West); Mrs Eunice Long has become a director of Bayford Coal and Mr Keith Grainger has been made a director of Thrust Petroleum.

■ Mr David Coleman has joined ROCKFORT GROUP as a director of its commercial development subsidiary, Rockfort Land. He was previously a director of Clayform.

■ Mr Peter Johansen has become chief executive of the AIR MOVEMENT GROUP. He was previously a senior manager with Barclays de Zoete Wedd.

■ Mr H.G. Ashton has become a non-executive director of CLOSE BROTHERS GROUP. He is an executive director of Hanson.

■ Mr Mike Woskalo has been appointed to the board of ABBEY PROPERTIES, the commercial and industrial development arm of Abbey.

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

AUTHORISED UNIT TRUSTS

Provident Mutual Unit Tst Mgrs Ltd (0905)H
25-31 Moorgate, London, EC2R 6BA. 01-588 3963

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
PM Equity Gth	5	115.4	117.5	125.0	-0.4	2.62
PM Income & Gth	5	103.9	105.4	112.1	-0.4	4.25
PM Nth Amer Gth	5	47.87	47.87	50.92	-0.02	1.48
PM European Gth	5	45.36	45.47	48.37	-0.16	0.92
PM Japan Gth	5	78.25	78.45	83.45	+0.83	0.29
PM Overseas Gth	5	49.30	49.30	52.44	+0.23	0.90

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes contained in last column of the FT Unit Trust Information page.

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

Assicurazioni GENERALI SpA
117 Fenchurch St, London EC3M 5DY 01-488 0733

	Bid Price	Offer Price	+ or -	Yield Gross
Hambro Generali UK Gth	130.9	137.8	—	—
Hambro Generali Ppty	175.4	184.7	—	—
Hambros Canadian	107.2	112.9	—	—
Hambros Equity Inc	143.2	150.8	—	—
Hambros European	111.8	117.7	—	—
Hambros High Income	193.5	203.7	—	—
Hambros Jap & Far East	169.2	178.2	—	—
Hambros Nth American	135.1	142.3	—	—
Hambros Res & Assets	156.9	165.2	—	—
Hambros Scandinavian	137.7	145.0	—	—
Hambros Smaller Cos	155.4	163.6	—	—
Generali Intl Managed	418.7	440.8	—	—
Generali Int Mgd Pens	180.8	190.3	—	—
Generali Cash	124.8	131.3	—	—

Gresham Unit Assurance Ltd
2-6 Prince of Wales Rd, Bournemouth 0202 752000

	Bid Price	Offer Price	+ or -	Yield Gross
Gresham Series III				
Balanced Fund	97.3	102.5	—	—
Equity	417.9	440.4	—	—
European Growth	80.1	84.4	-0.3	—
Fixed Int	168.0	177.0	—	—
Global Growth	100.3	105.7	+0.1	—
Income (z)	144.2	151.9	—	—
Intl Income	96.6	101.8	-0.4	—
Managed	493.5	520.0	-0.1	—
Money	216.6	228.0	+0.1	—
N. American Growth	88.5	93.3	+0.8	—
Property	303.8	320.1	—	—
UK Growth	103.2	108.7	+0.4	—
Gresham/Framlington Series III				
American & Gen	243.9	257.0	+0.3	—
Capital	488.2	514.4	+0.5	—
European	115.3	121.5	-0.5	—
Financial	93.3	98.3	+0.1	—
Income Trust	521.9	549.9	+0.4	—
Intl Growth	278.8	293.8	+1.5	—
Japan & Gen	220.0	231.8	+0.9	—
Recovery	343.6	362.1	+0.7	—
Smaller Co's Fd	116.7	123.0	+0.7	—
Gresham Series II				
Balanced Fund	97.3	102.5	—	—
Equity	413.8	436.0	—	—
European Growth	80.8	85.1	-0.4	—
Fixed Interest	166.2	175.1	—	—
Global Growth	99.5	104.8	+0.1	—
Income	143.2	150.9	—	—
International Inc	97.4	102.6	-0.5	—
Managed	488.6	514.9	-0.1	—
Money	216.6	228.0	+0.1	—
Nth American Growth	88.80	93.6	+0.8	—
Property	298.9	315.0	—	—
UK Growth	103.1	108.6	+0.3	—

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd N Waterloo Liverpool 051-928 6655

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Fund	281 1	295 9	+11 7	-
Man Pens Inc & Cap Fds	364 4	383 6	+19 7	-
Money Fund	116 8	123 0	+0 2	-
Pens Mngd Fd (Init)	99 4	104 7	-7 0	-
Pens Mngd Fd (Acc)	117 9	124 2	+8 4	-
Pens FT30 Fd (Init)	141 2	148 7	+8.2	-
Pens FT30 Fd (Acc)	167 5	176 4	+9 9	-
Pens O seas MgFd (Init)	69 9	73 6	+4 5	-
Pens O seas MgFd (Acc)	82 9	87 3	+5 4	-
Pens Fxd Int Fd (Init)	105.5	111.1	+0 2	-
Pens Fxd Int Fd (Acc)	125 2	131.8	+0 4	-
Pens Deposit Fd (Init)	103 0	108.5	+0 1	-
Pens Deposit Fd (Acc)	122.3	128 9	+0.3	-

Premium Life Assurance Co Ltd
37-39, Perrymount Road Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or -	Yield Gross
American	113.0	119 0	-1.0	-
Building Soc. Fd.	167.0	176 0		-
Balanced	263 0	277 0	+1.0	-
Deposit	166 0	175 0		-
European	148 0	156 0	+2.0	-
GT Managed	170 0	179 0	+1.0	-
Gartmore Mngd	110 0	116 0	-1 0	-
German	103 0	109.0	-1 0	-
Gilt	172 0	182 0	---	-
Global	48 0	51 0		-
High Inc.	109 0	115.0		-
International Equity	173 0	183.0	+1.0	-
Japan	232 0	245 0	-1.0	-
Managed	60 0	64 0		-
Property	272.0	287 0		-
R. W. Imperial Gold	125 0	132 0		-
UK Equity	348.0	367.0	-1.0	-
Pension Funds				
American	126 0	133 0	...	-
Building Soc. Fd	163 0	172 0	--	-
Balanced	200 0	211 0	...	-
Deposit	159 0	168 0	---	-
European	146 0	154 0	...	-
German	93 0	98 0	...	-
Gilt	142 0	150 0	...	-
International Equity	124 0	131 0		-
Japan	134.0	142 0	...	-
Managed	59 0	63 0	...	-
Property	211 0	223 0	...	-
UK Equity	301 0	317 0	...	-

Prolific Life & Pensions Ltd
Stramongate Kendall Cumbria LA9 4BE 0539 33733
Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or -	Yield Gross
Balanced Grth Mngd	549 7	579 3	-0 9	-
Adventurous Mngd	114 1	120 3	-0.3	-
Secure Mngd	104.9	110.6	-0 0	-
Cash Fd.	226 8	239 0	+0 0	-
Property Fund	278.5	293 5	+0 0	-

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	335.1	352.8	+0 8	-
Equity	759.3	799.3	+1.4	-
Global Equity	214.4	225 7	+0.3	-
Fixed Interest	399.9	421.0	+0.4	-
Property	369 5	389.0	+0.5	-
Cash	149.9	157 8	+0.1	-
Index Linked Gilt	189.1	199.1	+0 4	-
Guaranteed	11.75	12.50	...	-
International Money	191.3	201.4	+0.4	-
North American	60.1	63 3	+0.2	-
Japanese	137.5	144 8	+1.4	-
European	77.4	81.5	+0.5	-
Special Situations	113.5	119.5	+0 8	-
Communications	89.3	94 1	+0.5	-
Smaller Companies	102.6	108.1	+0.2	-
International Small Cos	114.2	120.3	+0.7	-

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

	Bid Price	Offer Price	+ or -	Yield Gross
Discretionary Jan 25	£138 97	143 67	...	-
Equity Jan 25	£149.40	154 86	...	-
International Jan 25	£22.84	23.53	...	-
Intl Bond Jan 25	£11 16	11.30	...	-
Fixed Int Jan 25	£71.07	72.02	...	-
Index Linked Jan 25	£57 70	58.43	...	-
Property Jan 25	£102.72	108 83	...	-
Cash Jan 25	£19 9296	19 9296	...	-
Pru-Linked Retirement Plan				
Managed Feb 1	354.6	369.4	...	-
Cash Feb 1	188.2	196.0	...	-
Prudential Pensions Investment Account				
Pens Mngd Feb 2	144 9	152.6	-0.5	-
Pens UK Eq Feb 2	266.5	280.6	-1.9	-
Pens Intl Feb 2	167.3	176.2	+0 7	-
Pens Fixed Feb 2	165 0	173 7	+0.1	-
Pens Index Lk Feb 2	149 1	157 0	+1.1	-
Pens Cash Feb 2	123.0	129.5	---	-

Regency Life Assurance Co Ltd
Regency Hse, Lanark Sq, London E14 9XS 01-538 8900

	Bid Price	Offer Price	+ or -	Yield Gross
Aggressive Ptflio Fd.	111.8	117.6	+0.4	-
Balanced Ptflio Fd.	296.3	311.8	+1 0	-
Cautious Ptflio Fd.	118 4	124.6	+0 2	-
Elite Fund	101.3	106.6	+0.1	-
European Fund	72.6	76.4	...	-
Far East Fund	104 6	110.0	-0.1	-
Fixed Interest Fund	243 4	256 2	+0 1	-
International Fund	238 7	251.2	...	-
Money Fund	172.2	181.2	+0 1	-
N American Fd.	101.7	107 0	-0 2	-
Property Fund	389.8	410 3	+1.7	-
UK Equity Fd	363.5	382 6	+1 7	-

Scottish Amicable
150 St Vincent St, Glasgow

	Bid Price
Equity	408.3
Fixed Interest	225 6
International	252.5
Property	215.7
Cash	156.3
Index Linked Gilt	128.0
Managed	308 7
Exempt Eq Init	253.3
Do Accum	386 0
Exempt Fxd Int Init	173 4
Do. Accum	264.3
Exempt Intnl Init	177 2
Do Accum	270.0
Exempt Prop Init	141.2
Do Accum	215.3
Exempt Cash Init	124.7
Do Accum	190 0
Exempt Man. Init	206.7
Do Accum	315.1
Building Society Fd	107.7

Scottish Equitable Life Assce. Soc.
28 St Andrew Sq, Edinburgh

	Bid Price
Mixed	155 2
UK Equity	147.8
International	163.5
American	126.3
European	153.1
Japan	223 4
Pacific	204.7
Technology	147.3
Fixed Interest	125.2
Indexed Linked	104 6
Foreign Bond/Currency	142 0
Cash	118 442
Pens Mixed	412 1
Pens UK Equity	448 0
Pens International	459.8
Pens American	118 0
Pens European	151 1
Pens Japan	246.5
Pens Pacific	188 0
Pens Fixed Interest	204.7
Pens Index Linked	125.6
Pens Cash	169 768
Pens Property	185.1
Pens Ethical	108.6
Edinburgh Inv	196.2
Baillie Gifford Japan	183.8

Scottish Life Investments
19 St Andrew Square, Edinburgh

	Bid Price
Property	167.5
UK Equity	215.4

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

GUERNSEY AUTHORISED

Royal Bank of Canada Funds
RBC Offshore Fund Managers Ltd
PO Box 246, St Peter Port, Guernsey 0481 23021

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Intl Bond Fd	5	11.41	11.41	12.03		
Intl Capital Fd	5	45.70	45.70	49.28		
North America Fd	5	13.11	13.11	14.15	+0.10	
Far East & Pacific Fd	5	32.67	32.67	35.22		
Canadian Fd.	5	13.51	13.51	14.54	+0.28	
RBC Intl Currencies Fd Ltd						
US$		$	31.06			
Canadian $		C$	40.54			
£ Sterling		£	17.39			
D-Mark		DM	62.16			
Swiss Francs		SFr	46.76			
Japanese Yen		Y	7700			
Managed Fund		$	38.13			

Latest RBC Fund Prices 24hr service 0481 710598

JERSEY AUTHORISED

IoM AUTHORISED

Gartmore Fund Managers (IoM)

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Intl Grth Feb 02	3	457.2	457.2	486.4	...	-

Bellamy Scandinavian Fund Ltd

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Scandinavia Fd	5	148.06	148.06	158.81	...	2.6

Mercury Fund Managers Isle of Man Ltd

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Merc Intl Fund	5	122.6	123.2	130.1	+2.6	7.7
Merc Intl Bond	5	48.56	48.56	51.36	+0.04	10.2

Refuge Overseas

LUXEMBOURG AUTH'D

BERMUDA AUTHORISED

OFFSHORE INSURANCES

FT UNIT TRUST INFORMATION SERVICE

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

BRITISH FUNDS—Contd

Index—Linked

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for May 1988:106.2 and for December 1988:110.3

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

AMERICANS – Contd

1988/89 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
19	14⅞	USX $1	18⅞	–⅛	$1.40	–	4.3
154p	44p	♥Unilab	131p	.....	–	–	–
25⅞	17⅝	Utd. Technologies	25⅞	+⅛	$1.60	–	3.5
163p	27p	♥Utilitech Inc.	149p	.....	–	–	–
35⅝	26¼	US West	35⅝	+⅛	$3.52	–	5.5
26⅞	16⅞	Waste Management $1	25¼	+⅛	48c	–	1.1
16⅞	12⅞	Whirlpool $1	15	+⅛	$1.10	–	4.1
20⅝	15⅞	Whitman Corp	19⅞	.....	96c	–	2.8
33⅞	18¼	♥Woolworth $3½	31⅛	+⅞	$1.64	–	2.9

CANADIANS

1988/89 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
309p	132p	♥ABM Gold Corp	132p	–1	–	–	–
32p	4½p	♥Abbot Energy Corp.	8⅝p	.....	–	–	–
14¼	882p	♥Amer. Barrick Res.	11⅝	+⅞	–	–	–
10p	2⅝p	♥Amer. Lightwave	2½p	.....	–	–	–
47p	7½p	♥Armeno	17¼p	.....	–	–	–
76p	23p	♥Augmitto Expln	23p	–1	–	–	–
14⅞	10⅝	Bk. Montreal	13⅞	–⅛	$2.12	–	7.3
769p	514p	Bk. Nova Scot.	721p	+2	84c	–	5.6
18⅞	15¼	BCE	17¼	+⅛	$2.44	–	6.6
716p	527p	♥Bow Valley	667p	–9	♦40c	–	2.9
14⅞	10½	♥Brascan	14⅞	.....	88c	–	3.0
328p	177p	♥Breakwater Res.	207p	–1	10c	–	2.3
12⅝	801p	Can Imp Bank	12⅝	.....	$1.16	–	4.4
11⅞	841p	Can. Pacific	11⅞	+⅛	76c	–	3.1
41½	38½	Do. 4pc Deb £100	38½	.....	4%	–	10.4
515p	357p	Central Capital "A"	390p	–3	–	–	–
485p	313p	♥Corona Corp.	396p	–9	–	–	–
886p	228p	♥Cons TVX Min.	294p	+10	–	–	–
371p	30p	♥Danbus Mem. Syst.	38p	–1½	–	–	–
686p	430p	♥Derlan Inds	595p	–9	11.75c	–	0.9
14⅞	746p	♥Echo Bay Mines	817p	+14	$0.07	–	0.4
839p	249p	♥ECO Corp	445p	+4	–	–	–
40p	11½p	♥Energex Minerals	12½p	.....	–	–	–
125p	83p	♥Euro-Asia Capital	108p	–1	–	–	–
386p	196p	♥Galactic Resources	223½p	–1½	–	–	–
423p	267p	Gandalf Techs. Inc.	311p	+7	–	–	–
125p	41p	♥Geodome Res.	43½p	–5	–	–	–
394p	141p	Granges Explnl	171p	+4	–	–	–
19½p	4½p	♥Gt. Pacific Res.	19½p	–½	–	–	–
903p	576p	♥Gulf Canada	721p	+8	52c	–	3.5
12⅞	816p	♥Hawker Sid Can	12	.....	$1.08	–	4.3
590p	344p	♥Henlys Group	408p	–3	–	–	–
12½	785p	♥Hudson's Bay	12	–⅛	60c	–	2.4
28⅞	20¼	♥Imperial Oil	24⅞	–⅛	$1.80	–	3.5
20⅞	10⅛	Inco	17	+⅛	US$0.80	–	2.6
718p	462p	♥Inland Nat. Gas $1	625p	–9	60c	–	4.6
250p	100p	♥Madeleine Mines	122½p	–½	–	–	–
207p	126p	♥Muscocho Expln.	175p	–1	–	–	–
187p	42p	♥Nini Business Syst.	42p	.....	–	–	–
245p	87½p	♥Nevada Goldfields	96p	–½	–	–	–
12⅞	787p	♥Rio Algom	11½	.....	$1.30	–	5.4
18⅞	11½	Royal Bk. Can.	18⅞	+⅛	$2.20	–	5.6
40⅞	26⅝	Seagram	40½	–⅞	US$1.20	–	1.6
361p	74½p	♥Sonora Gold Corp	86½p	+1½	–	–	–
121p	18p	♥Spiral Eng	79¼p	–5½	–	–	–
150p	35p	♥Taro Pure Tech. Corp	101p	.....	–	–	–
18⅞	11⅞	Toronto-Dom. Bk.	18¼	.....	$1.12	–	2.9
742p	566p	♥Trans Can Pipe.	714p	+1	68c	–	4.6
205p	127p	Varity Corp	171p	–8	B–	–	–

BANKS, HP & LEASING

1988/89 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
*278	124	ANZ $A1	271	–3	s034½c	♦	6.2	♦
*271	180	Allied Irish	264	–1	F072.9%	3.1	5.8	9.1
£13¼	£10⅞	Algemene Fl.10	£11⅝	.....	027%	1.9	6.6	–
73	58	Anglo Irish	67	.....	019.69%	1.2	6.7	19.1
90	64	Ansbacher (H.) 1p	78	.....	2.0	–	3.4	–
£54⅞	£30⅞	B'caire Cie Fr100	£49⅞	.....	010%	–	1.9	–
£40½	£24⅝	Banco Bilbao Viz	£38⅛	–⅞	035.7%	♦	3.2	♦
£36	£27⅝	Banco de Santander	£31	–⅛	022%	2.4	1.7	24.1
*272	184	Bank Ireland Ir£1	254	–1	015.67%	3.3	5.2	7.9

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LEISURE

هكذا من الأصل

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

LEISURE—Contd

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
65	56	Remaminster 5p....y	65	+1	a1.0	4.3	2.1	15.2
237	150	Royal Sovereign 10p.y	188	−2	14.6	1.9	3.3	17.6
26	20	Scott Pickford 10p...y	21	......	3.1	0.7	19.7	10.9
116	68	Seacon Hldgs.......y	101	......	Z1.0	–	1.3	–
15½	7	Sonic Tape 2½p....y	9	......	p–	–	–	11.8
27	15	Staks Hldgs. 5p....y	17	......	–	–	–	20.1
*4½	1¼	Swanyard Studios 1p y	2	+¼	–	–	–	♦
318	200	Takare...............y	318	......	b1.0	8.1	0.4	32.7
36	26	Tomorrows Leisure 20p y	28	......	–	–	–	13.9
25	13½	Tullow Oil 10p.....y	18	......	–	–	–	–
135	100	UPL Group 10p.....y	180	......	L2.41	4.3	3.2	13.6
182	120	Unit Group..........y	145	......	F7.5	2.9	6.9	8.2
17½	12½	Whitegate Leisure 20p.y	16	+½	–	–	–	–
12	6	Do. Wrnts..........y	11½	......	–	–	–	–
6½	2	Wilton Group 1p...y	5	......	–	–	–	–

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or −
Albany Inv 20p....y	73	......
Craig & Rose £1..y	710	......
Finlay Pkg. 5p .y	89	......
Holt (Jos) 25p ...y	1235	......

IRISH

Stock	Price	+ or −
Cap 8½% Ln. 1991	£99½	......
9pc Cap Ln. 1996..	£100½	......
Fin. 13% 97/02...	£122¼	......
Arnotts	485	+5
Carroll (P.J.).......y	154	......
Hall (R. & H.)......	178	−5
Helton Hldgs.......y	67	+2
Irish Ropes..........	165	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	18
BAT	40
BOC Grp	36
BSR	7½
BTR	26
Barclays	34
Beecham	40
Blue Circle	39
Boots	28
Bowaters	38
Brit Aerospace	42
Brit. Telecom	21
Burton Ord	18
Cadburys	31
Charter Cons	45
Comm Union	28
Courtaulds	26
FKI Babcock	13
FNFC	21
Gen Accident	71
GEC	15
Glaxo	90
Grand Met	38
GUS 'A'	90
Guardian	16
GKN	28
Hanson	12
Hawker Sidd	48
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen	26
Lex Service	34
Lloyds Bank	29
Lucas Inds	48
Marks & Spencer	15
Midland Bk	35
Morgan Grenfell	28
NEI	12
Nat West Bk	45
P & O Dfd	48
Plessey	15
Polly Peck	28
Racal Elect	25
RHM	32
Rank Org Ord	63
Reed Intnl	38
STC	24
Sears	13
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42

Property

Brit Land	30
Land Securities	52
MEPC	50
Peachey	54

Oils

Brit Petroleum	21
Do (P.Paid)	12
Burmah Oil	48
Calor	35
Charterhall	2½
Premier	9
Shell	85
Ultramar	21

Mines

Cons Gold	100
Lonrho	38
RTZ	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £985 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar unsettled ahead of G7

THE DOLLAR edged firmer in nervous currency trading yesterday but was still below the day's highs. The US unit retains it bullish undertone, but its upward potential has been held in check by the start of the Group of Seven meeting in Washington.

Early activity saw the dollar move steadily firmer on overnight levels to break through DM1.87. Comments by Mr Alan Greenspan, chairman of the US Federal Reserve board, added further support. Speaking before the House of Representatives Ways and Means committee, Mr Greenspan said that US interest rates are likely to be higher than the Reagan administration forecast for 1989. The forecast is for a 6.3 per cent average on US 90-day Treasury bills, but the Bush administration has not yet decided on whether to endorse that forecast.

Trading volume was also restricted by the release today of US employment data for January. These are regarded as a significant barometer in assessing the strength of the US economy. The consensus of analysts' forecasts is for non-farm payrolls to rise by 255,000 and for the unemployment rate to remain at 5.3 per cent.

The dollar closed at DM1.8695 against DM1.8625 but lost ground in yen terms to Y129.15 from Y129.60. Elsewhere, it finished at SFr1.5860 from SFr1.5835 and FFr6.3575 compared with FFr6.3450. On Bank of England figures, the dollar's exchange rate index fell to 67.5 from 67.6. Early trading in New York saw the dollar continue its nervous upward path, moving to DM1.8760 before coming back to DM1.8730.

Sterling remained confined to the sidelines and was influenced primarily by movements in the dollar. Its exchange rate index moved up from an early low of 97.8 to finish at 98.0, unchanged from Wednesday's close. Against the dollar it slipped to $1.7510 from $1.7545 but improved in terms of the D-Mark to DM3.2725 from DM3.2675. It was weaker against the yen at Y226.25 from Y227.25 but unchanged against the Swiss and French francs at SFr2.7775 and FFr11.1325.

The D-Mark fell quite sharply against the Japanese yen. While the D-Mark was sold off after West German interest rates were left unchanged, the yen was bolstered by suggestions that the Bank of Japan would increase its discount rate to support the yen.

This was later officially denied, but the yen remained in demand. The latter was also underpinned by comments from a Bundesbank official which suggested that the competitive edge enjoyed by the Japanese economy was likely to lead to a long-term revaluation of the yen against the D-Mark. Yesterday the D-Mark slipped to Y69.08 from Y69.55 on Wednesday.

The French franc was also firmer at the expense of the D-Mark, the latter failing to hold on to a slightly firmer opening to finish at FFr3.4005 down from FFr3.4060.

£ IN NEW YORK

Feb.2	Latest	Previous Close
£ Spot	1.7485-1.7490	1.7535-1.7545
1 month	0.51-0.49pm	0.59-0.58pm
3 months	1.49-1.47pm	1.58-1.55pm
12 months	4.15-4.05pm	4.29-4.21pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Feb.2	Previous
8.30 am	97.9	98.2
9.00 am	97.8	98.1
10.00 am	97.9	98.0
11.00 am	97.9	97.7
Noon	98.0	97.9
1.00 pm	98.0	97.9
2.00 pm	98.0	98.0
3.00 pm	97.9	98.0
4.00 pm	98.0	98.0

CURRENCY RATES

Feb.1	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.747248	0.637477
U.S Dollar	6.50	1.30746	1.11495
Canadian $	11.54	1.55535	1.32567
Austrian Sch.	4	17.1983	14.6760
Belgian Franc	7.75	51.2917	43.8731
Danish Krone	7½	9.50981	8.10789
Deutsche Mark	4	2.44456	2.08718
Neth Guilder	5.00	2.76397	2.35622
French Franc	9½	8.33506	7.10109
Italian Lira	12½	1789.46	1524.69
Japanese Yen	2½	170.493	144.163
Norway Krone	8	8.84627	7.54652
Spanish Peseta	-	152.868	133.292
Swedish Krona	8½	8.31022	7.08103
Swiss Franc	4	2.08148	1.77444
Greek Drach.	20½	N/A	173.207
Irish Punt	-	0.913793	0.781322

*All SDR rates are for Feb.1

CURRENCY MOVEMENTS

Feb.1	Bank of England Index	Morgan** Guaranty Changes %
Sterling	98.0	-14.1
U.S Dollar	67.5	-11.0
Canadian Dollar	102.5	-0.6
Austrian Schilling	106.2	+9.4
Belgian Franc	105.4	-6.5
Danish Krone	102.7	-2.1
Deutsche Mark	112.2	+20.0
Swiss Franc	108.1	+17.6
Guilder	109.1	+12.6
French Franc	98.4	-16.1
Lira	97.5	-20.2
Yen	149.8	+81.2

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for Feb.1

OTHER CURRENCIES

[illegible]

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Feb.2	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.7310	+3.00	+0.92	±1.5344
Danish Krone	7.85212	8.10665	+3.24	+1.16	±1.5404
German D-Mark	2.05853	2.08702	+1.38	-0.70	±1.0981
French Franc	6.90403	7.10397	+2.90	+0.82	±1.3674
Dutch Guilder	2.31943	2.35607	+1.58	-0.50	±1.5012
Irish Punt	0.768411	0.781212	+1.67	-0.41	±1.6684
Italian Lira	1483.58	1525.18	+2.80	+1.50	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Feb.2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7420 - 1.7515	1.7505 - 1.7515	0.50-0.47cpm	3.32	1.49-1.44pm	3.35
Canada	2.0732 - 2.0819	2.0790 - 2.0800	0.31-0.24cpm	1.59	0.61-0.52pm	1.09
Netherlands	3.68 - 3.70	3.69 - 3.70	1⅞-1¾cpm	5.89	5¾-5½pm	6.09
Belgium	68.30 - 69.00	68.50 - 68.60	32-24cpm	5.78	97-79pm	5.13
Denmark	12.68 - 12.73	12.72 - 12.73	5-4¼orepm	4.42	14¾-14pm	4.52
Ireland	1.2247 - 1.2262	1.2245 - 1.2255	0.52-0.47cpm	4.85	1.45-1.35pm	4.58
W. Germany	3.26 - 3.28	3.27 - 3.27½	1¾-1½pfpm	5.27	5⅞-5¼pm	6.49
Portugal	266.74 - 269.65	268.65 - 269.65	50-10cpm	1.34	110-15pm	0.95
Spain	206.39 - 210.44	206.95 - 207.25	50-35cpm	2.46	100-55pm	1.50
Italy	2389 - 2397	2391½ - 2392½	4-1lirepm	1.00	6-3pm	0.84
Norway	11.78½ - 11.84	11.82 - 11.83	1⅞-1½orepm	1.84	5¼-4⅞pm	1.63
France	11.11½ - 11.15	11.12¾ - 11.13¾	3½-3¼cpm	3.68	10⅞-10¼pm	3.68
Sweden	11.08 - 11.11	11.10½ - 11.11½	2-1¾orepm	2.45	5⅞-5¼pm	2.38
Japan	225¾ - 226¾	225¾ - 226¾	1½-1¾ypm	8.30	4⅝-4½pm	8.09
Austria	22.93 - 23.04	23.01 - 23.04	12-10⅞gropm	6.25	37¼-34¼pm	6.02
Switzerland	2.77¼ - 2.78½	2.77¼ - 2.78¼	1⅝-1½cpm	6.74	4¾-4⅝pm	6.74

Belgian rate is convertible francs. Financial franc 68.75-68.85 . Six-month forward dollar [illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Feb.2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7420 - 1.7515	1.7505 - 1.7515	0.50-0.47cpm	3.32	1.49-1.44pm	3.35
Ireland†	1.4320 - 1.4245	1.4295 - 1.4305	0.28-0.33cdis	-2.56	0.67-0.77dis	-2.02
Canada	1.1859 - 1.1896	1.1875 - 1.1885	0.15-0.20cdis	-1.11	0.56-0.62dis	-1.25
Netherlands	2.1022 - 2.1165	2.1095 - 2.1105	0.45-0.42cpm	2.47	1.45-1.41pm	2.71
Belgium	39.10 - 39.40	39.10 - 39.20	6.00-4.00cpm	1.53	17.50-13.50pm	1.58
Denmark	7.23¾ - 7.28¼	7.26½ - 7.27	0.80-0.45orepm	1.03	2.35-1.95pm	1.18
W. Germany	1.8615 - 1.8760	1.8690 - 1.8700	0.47-0.44pfpm	2.92	1.46-1.42pm	3.08
Portugal	153½ - 154¼	154 - 154¼	15-35cdis	-1.95	70-120dis	-2.47
Spain	117.40 - 120.10	118.05 - 118.15	10-40cdis	-2.51	60-135dis	-3.26
Italy	1362 - 1370	1365¼ - 1366¼	0.23-0.33liredis	-2.45	0.85-0.95dis	-2.63
Norway	6.73½ - 6.77¼	6.75 - 6.75½	0.80-1.05oredis	[illegible]	[illegible]	[illegible]
France	6.34¾ - 6.38	6.35½ - 6.36	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	6.32¾ - 6.36	6.34¼ - 6.34¾	[illegible]	[illegible]	[illegible]	[illegible]
Japan	128.90 - 129.65	129.10 - 129.20	[illegible]	[illegible]	[illegible]	[illegible]
Austria	13.10 - 13.18½	13.14 - 13.14½	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	1.5845 - 1.5865	1.5855 - 1.5865	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc [illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

[illegible]

MONEY MARKETS

Nervous tone

THE DECISION yesterday to leave key West German interest rates unchanged at a meeting of the Bundesbank central council has left the Frankfurt money market in a mood of uncertainty about interest rate trends.

Rising inflation - exacerbated by a weak D-Mark - is putting upward pressure on domestic interest rates, but there are no expectations of an interest rate spiral, according to Mr Helmut Schlesinger, vice-president of the Bundesbank. In an interview with a French newspaper, he said that the Bank wants to see a strong D-Mark or, more precisely, to see no further devaluation.

UK clearing bank base lending rate 13 per cent from November 25

The D-Mark has fallen by almost 10 per cent against the dollar since last November, and the mood of the market suggests that a rise in the dollar to above DM1.90 from its current level of just under DM1.87 could spark another rise in West German rates.

The firmer tendency in interest rates was felt elsewhere. In Brussels, the Belgian National Bank increased its three-month Treasury certificate rate to 7.75 per cent and the two-month rate to 7.60 per cent, while Austrian prime rates were moved up half a point to 9.25 per cent.

Short-term sterling interest rates were a little lower after the Bank of England announced a smaller than expected shortage of credit. Overnight interbank money peaked at 12¾ per cent and touched a low of 11 per cent. Longer term rates were unmoved, with the key three-month rate unchanged at 13⅛-12⅞ per cent.

The Bank forecast a shortage of around £250m. Factors affecting the market included bills maturing in official hands and a take up of Treasury bills, together with repayment of late assistance draining £124m. There was also a rise in the note circulation of £40m, and banks brought forward balances £105m below target. These were partly offset by Exchequer transactions which added £30m.

The forecast was revised to a shortage of around £300m, and the Bank gave assistance in the morning of £170m. This comprised outright purchases of £100m of eligible bank bills in band 1, £35m in band 2, £5m in band 3 and £30m in band 4, all at unchanged rates.

A further revision took the forecast to a shortage of around £400m, and the Bank gave additional assistance in the afternoon of £182m. This comprised further purchases of eligible bank bills; £116m in band 1, £50m in band 2, £9m in band 3 and £7m in band 4, again at unchanged rates. Total help came to £352m.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

FINANCIAL FUTURES

West German bonds fall back

WEST GERMAN Government bond futures relinquished early gains in Liffe trading yesterday after the Bundesbank left its key lending rates unchanged. Values opened on a strong note as investors were looking for some assertive action to support the D-Mark against the strong US dollar. Disappointment over the lack of any fresh measures encouraged a sell off later in the day.

The March price opened firmer at 94.63, up from 94.49 on Wednesday, and touched a high of 94.68 before slipping back to 94.47 at the close. Trading volume was down from the record of 15,843 traded on Wednesday to around 12,000.

Short sterling futures rebounded from a poor start, helped by sterling's recovery from opening lows. The March price sank to a low of 87.21 before coming back to finish at 87.29 compared with 87.28 previously.

Long gilt futures were also firmer after early buying triggered short covering. The March contract traded over 15,000 lots and finished at 97-22 up from 97-13.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
94	344	452	0	12
95	—	361	—	21
96	148	309	4	33
97	—	224	—	48
98	23	150	43	110
99	—	120	—	144
100	3	57	223	217

Estimated volume total, Calls 1933 Puts 205
Previous day's open int. Calls 30658 Puts 19131

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
84	705	706	1	18
86	506	523	2	35
88	309	351	5	63
90	128	230	24	142
92	27	132	123	244
94	5	95	301	405
96	1	29	461	541

Estimated volume total, Calls 352 Puts 100
Previous day's open int. Calls 2834 Puts 3319

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Puts-settlements Mar
19000	1757	27
19500	1304	74
20000	904	174
20500	577	347
21000	—	—
21500	—	—
22000	—	—

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 0 Puts 0

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls-settlements Feb	Calls-settlements Mar	Puts-settlements Feb	Puts-settlements Mar
160	—	1510	—	2
165	1010	1010	0	20
170	510	542	7	96
175	123	238	128	292
180	8	77	513	631
185	0	18	1005	1072
190	0	3	1505	1557

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 162 Puts 3750

LIFFE EURODOLLAR OPTIONS
£1m points of 100%

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
8975	73	79	2	12
9000	49	60	3	18
9025	29	44	8	27
9050	13	30	17	38
9075	5	19	34	52
9100	3	12	57	70
9125	2	7	81	90

Estimated volume total, Calls 120 Puts 180
Previous day's open int. Calls 5800 Puts 6431

LIFFE SHORT STERLING

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
8700	39	115	10	11
8725	22	95	18	16
8750	11	76	32	22
8775	6	60	52	31
8800	3	44	74	40
8825	1	32	97	53
8850	0	23	121	69

Estimated volume total, Calls 1297 Puts 2122
Previous day's open int. Calls 23324 Puts 21927

PHILADELPHIA SE £/$ OPTIONS
£31,250 (cents per £1)

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
1.750	0.95	2.00	2.65	3.74	1.31	2.77	3.92	5.70
1.775	0.25	1.10	1.80	2.78	3.00	4.38	5.49	7.35
1.800	-	0.54	1.10	2.07	5.25	6.31	7.29	8.92
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
1.650	-	16.20	-	12.50	-	0.35	-	2.00
1.700	7.20	13.25	-	8.60	1.30	1.05	-	3.00
1.750	3.25	3.50	4.20	5.50	1.30	2.30	3.70	5.05
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

EUROPEAN OPTIONS EXCHANGE

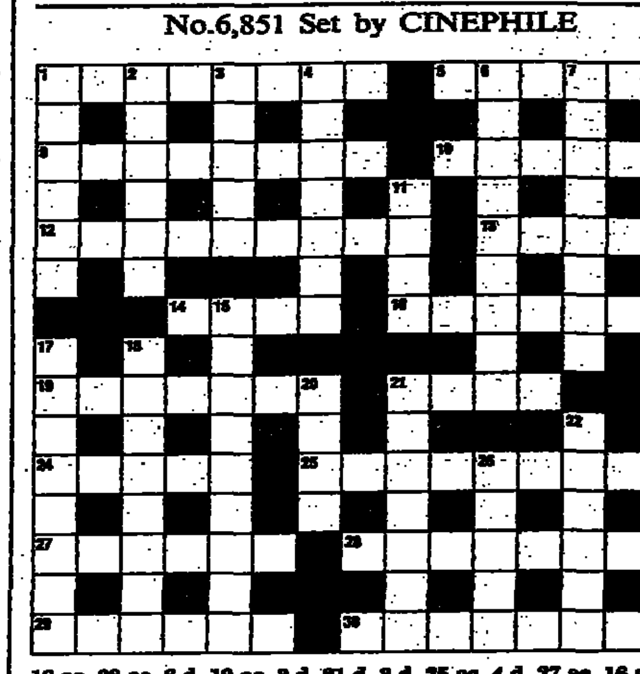
[illegible]

BASE LENDING RATES

[illegible]

CROSSWORD

No.6,851 Set by CINEPHILE



16 ac, 28 ac, 6 d, 19 ac, 3 d, 21 d, 2 d, 25 ac, 4 d, 27 ac, 16 ac etc. form an endless chain.

ACROSS

1 Sort of belt for chap around pole for most of antiquity (8)
5 Pussies take part in daytime snooze (6)
9 End of day occurrence, less than ideal (8)
10 Saint Joan's place: halo's first, as formality (6)
12 Sailor, a Conservative, dancing (9)
13 Band leader in dance has to rise (5)
14 First encore for flier (4)
16 English name for Roman playwright (7)
19 Before a portion of scripture is an excuse (7)
21 Goodbye and thanks to the old civilian soldiers (4)
24 Gift of sacking on which are possibilities (5)
25 All he does could be for 99 years (9)
27 Source of pleasure that's dumb (6)
28 Likely to produce 10 in the Common Market possibly (8)
29 Tall and thin – converse in Seychelles (6)
30 Safety factor in throne zone (4-4)

DOWN

1 It may be hard on board (6)
2 Eyed object lost in stack? (6)
3 Wide, for example, in the crowd scenes? (5)
4 Veterans with network (3,4)
6 Explain construction of Trent pier (9)
7 Dance orchestra after painter's rising (8)
8 Cold water comes up round Greek hero (8)
11 Fancy stocking contains pouch (4)
15 Bill encompassing arrangement of fetes and food (9)
17 Plausible gamble leads to bills (8)
18 A banker's order takes in Lincoln (8)
20 Do groundwork to secure money (4)
21 Railway passenger? Peg swallows water (7)
22 What cat makes, on top of prey (6)
23 Coming from 5 in a depression (6)
25 Build on one's feet (5)

Solution to Puzzle No.6,850

DEPOSIT DECAPOD
E A P R R H I I
SUCRE ODALISQUE
P K K U K L U H
ADDRESSEE BREDA
I R S L R
RHINO ESTRANGED
L L A I I R
WELLFOUND NEARS
I A E V E
LILAC SUGARBEET
L O T U A E Y T
IMPROMPTU BRAWL
E E R E G E R E
SPRAYER ENCODED

WORLD STOCK MARKETS

AUSTRIA | FRANCE (continued) | GERMANY (continued) | ITALY (continued) | SWEDEN

BELGIUM/LUXEMBOURG | NETHERLANDS | SWITZERLAND

DENMARK | NORWAY | SOUTH AFRICA

FINLAND | ITALY | SPAIN

FRANCE | GERMANY

JAPAN | AUSTRALIA (continued) | HONG KONG | AUSTRALIA | SINGAPORE

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

2pm prices February 2

f – No voting rights or restricted voting rights.

INDICES

NEW YORK DOW JONES

	Feb 1	Jan 31	Jan 30	Jan 27	1988/89 High	1988/89 Low	Since compilation High	Since compilation Low
♦Industrials	2338.21	2342.32	2324.11	2322.86	2342.32 (31/1/89)	1879.14 (20/1/88)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	89.49	89.34	89.40	89.52	91.25 (3/3/88)	86.12 (4/1/88)	–	–
Transport	1070.69	1071.50	1054.31	1051.72	1071.50 (31/1/89)	737.57 (21/1/88)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	189.54	190.97	190.73	189.96	191.15 (24/1/89)	167.26 (20/4/88)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2355.00 (2350.18) Low 2319.29 (2302.68)

STANDARD AND POOR'S	Feb 1	Jan 31	Jan 30	Jan 27	1988/89 High	1988/89 Low	Since compilation High	Since compilation Low
Composite‡	297.09	297.47	294.99	293.82	297.47 (31/1/89)	242.63 (20/1/88)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	343.87	344.20	340.96	339.55	344.20 (31/1/89)	277.86 (20/1/88)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	26.68	26.71	26.59	26.47	26.71 (31/1/89)	21.51 (8/1/88)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	166.47	166.63	165.36	164.78	166.63 (31/1/89)	136.72 (20/1/88)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	323.24	323.02	321.88	321.57	323.24 (1/2/89)	262.76 (12/1/88)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	403.23	401.30	399.22	397.96	401.30 (31/1/89)	331.97 (12/1/88)	455.28 (26/8/87)	54.87 (31/10/72)

	Jan 27	Jan 20	Jan 13	year ago (approx.)
Dow Industrial Div. Yield	3.46	3.59	3.60	3.53

	Jan 25	Jan 18	Jan 11	year ago (approx.)
S & P Industrial div. yield	3.12	3.13	3.15	3.16
S & P Indl. P/E ratio	13.40	13.30	13.09	15.81

TRADING ACTIVITY †Volume Millions

	Feb 1	Jan 31	Jan 30
New York	215.640	194.050	167.830
Amex	12.820	12.230	10.123
OTC	152.894	137.047	123.937

NEW YORK	Feb 1	Jan 31	Jan 30
Issues Traded	1,959	1,967	1,962
Rises	731	956	877
Falls	703	533	549
Unchanged	525	478	536
New Highs	127	110	105
New Lows	12	14	9

CANADA

TORONTO	Feb 1	Jan 31	Jan 30	Jan 27	1988/89 High	1988/89 Low
Metals & Minerals	3568.1	3539.2	3506.2	3518.6	3569.1 (1/2/89)	2238.7 (8/2/88)
Composite	3640.6	3616.6	3612.2	3617.6	3640.6 (1/2/89)	2977.9 (8/2/88)
MONTREAL Portfolio	1826.13	1813.19	1803.41	1805.62	1826.13 (1/2/89)	1305.06 (27/1/88)

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Union Carbide	9,981,100	28	– ½
CMS Energy	3,534,800	23½	– ½
Southern	3,425,900	23	– ¼
Texaco	3,359,600	50½	– ⅝
RJR Nabisco	3,007,600	98¾	+ ¼
AT&T	2,696,200	32¼	+ ⅝
Varity	2,510,800	3	– ⅛
Chase Manhattan	2,201,600	31½	– ¼
IBM	2,168,400	129⅝	– 1
Baxter Intl	2,164,900	20¼	+ ⅛

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Feb. 2	Feb. 1	Jan. 31	Jan. 30	1988/89 High	1988/89 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1510.5	1530.8	1551.7	(c)	1657.8 (9/8/88)	1170.7 (10/2/88)
All Mining (1/1/80)	688.1	702.5	723.4	(c)	847.8 (9/8/88)	532.4 (10/2/88)
AUSTRIA						
Credit Aktien (30/12/84)	233.50	233.80	234.40	234.70	236.20 (25/1/89)	163.98 (11/2/88)
BELGIUM						
Brussels SE (1/1/84)	5762.50	5790.50	5801.80	5801.00	5801.80 (31/1/89)	3608.35 (4/1/88)
DENMARK						
Copenhagen SE (3/1/83)	287.30	287.41	285.68	289.05	289.22 (19/1/89)	180.68 (4/1/88)
FINLAND						
Unitas General (1975)	754.4	749.9	748.2	746.8	772.1 (8/8/88)	530.6 (15/1/88)
FRANCE						
CAC General (31/12/82)	451.7	449.0	448.7	453.0	453.0 (30/1/89)	251.3 (29/1/88)
Ind. Tendance (30/12/88)	107.6	107.0	105.9	106.8	107.6 (2/2/89)	100.0 (1/1/89)
GERMANY						
FAZ Aktien (31/12/58)	552.00	548.96	556.15	561.21	567.51 (5/1/89)	396.40 (29/1/88)
Commerzbank (1/12/53)	1650.3	1640.2	1662.2	1677.6	1705.6 (5/1/89)	1207.9 (29/1/88)
DAX (30/12/87)	1319.56	1300.52	1312.73	1328.37	1371.10 (5/1/89)	931.18 (28/1/88)
HONG KONG						
Hang Seng Bank (31/7/64)	3059.54	3060.91	3072.86	3036.45	3072.86 (31/1/89)	2223.56 (8/2/88)
ITALY						
Banca Com. Ital. (1972)	581.19	592.57	599.36	598.49	615.89 (17/1/89)	423.91 (9/2/88)
JAPAN						
Nikkei (16/5/49)	31498.30	31360.68	31581.30	31567.5	31679.07 (28/1/89)	21217.04 (4/1/88)
Tokyo SE (Topix) (4/1/68)	2456.35	2445.05	2464.83	2467.60	2478.12 (28/1/89)	1690.44 (4/1/88)
NETHERLANDS						
ANP-CBS General (1970)	295.6	292.7	307.4	310.1	310.1 (30/1/89)	205.7 (4/1/88)
ANP-CBS Industrial (1970)	267.3	264.2	271.5	270.8	271.5 (31/1/89)	157.9 (11/1/88)
NORWAY						
Oslo SE (4/1/83)	541.02	539.29	545.05	549.44	549.44 (30/1/89)	327.78 (28/1/88)
SINGAPORE						
Straits Times Ind. (30/12/66)	1128.34	1137.01	1133.32	1134.81	1177.87 (8/8/88)	833.60 (4/1/88)
SOUTH AFRICA						
JSE Gold (28/9/78)	1307.0♦	1307.0	1327.0	1312.0	1451.0 (7/7/88)	1154.0 (4/5/88)
JSE Industrial (28/9/78)	2140.0♦	2124.0	2139.0	2138.0	2158.0 (26/1/89)	1387.0 (12/2/88)
SPAIN						
Madrid SE (30/12/85)	280.22	278.79	283.10	283.73	301.63 (15/6/88)	225.50 (4/1/88)
SWEDEN						
Jacobson & P. (31/12/56)	3646.0	3634.4	3614.0	3616.7	3646.0 (2/2/89)	2148.5 (4/1/88)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	624.6	626.7	627.5	631.4	634.2 (16/1/89)	466.6 (13/1/88)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	508.9	511.5	511.2	512.0 (27/1/89)	401.0 (21/1/88)

♦Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Thursday 2 February 1989

	Stocks Traded	Closing Prices	Change on day
Sato Kogyo	47.8m	1,510	+50
Taisei	46.3m	1,400	+10
Nishimatsu	43.1m	1,150	+40
JDC	38.3m	1,180	+140
NKK	27.7m	970	+19
Hazama	24.1m	1,100	+60
Mitsubishi Heavy Ind	21.0m	1,160	+20
Showa Denko	20.3m	1,010	+25
Kobe Steel	18.4m	754	+14
Fujita	18.3m	1,070	+20

3pm prices February 2

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A - A - A -								
28⅞	17½	AAR	.44	1.7	18	3277	26⅝	25⅛	26½	−1⅛
10¼	8⅝	ACM n	1.01	11.		112	9½	9⅜	9⅜	
12⅛	10¼	ACMIn	1.26a	12.		587	11	10¾	10⅞	
10⅛	8½	ACM M	n1.01	11.		136	9½	9⅜	9½	+ ⅛
12⅛	10⅛	ACM Sc	1.26	12.		412	10¾	10⅝	10¾	
10⅛	8½	ACMSp	n.76e	8.3		297	9⅛	9	9½	
5⅛	2⅝	AMCA	.12e	3.2		10	3¾	3¾	3¾	+ ⅛
6⅛	3⅝	AM Int				256	5¾	5½	5½	
23⅛	18⅛	AM Int pf	2	8.8		61	22¾	22⅛	22¾	+ ⅛
60	33¾	AMR			8	5825	u60⅛	58⅜	59½	+ ⅝
24⅝	21⅛	ANR pf	2.12	8.9		1	23¾	23¾	23¾	
9½	5	ARX				9	5¾	5⅛	5⅛	− ⅛
48⅝	35⅛	ASA	3a	7.5		167	40⅛	39⅞	40	
20⅛	13⅛	AVX	.24	1.3	13	358	18⅞	18	18⅝	− ⅛
52⅛	42⅞	AbtLab	1.20	2.4	15	4338	49½	48⅝	49⅛	+ ⅛
20¾	15⅝	AbitibI g	1			46	17¾	17½	17⅛	
13⅞	7½	AcmeC	.40	4.0		33	10⅛	10⅛	10⅛	− ⅛
8⅞	5⅞	AcmeE	.32b	5.0	23	x23	6⅜	6⅜	6⅜	− ⅛
29½	17¾	Acuson			25	287	28⅞	28⅜	28⅞	+ ⅛
17	14½	AdaEx	1.82e	12.		103	15	14⅞	14⅞	− ⅛
16⅞	7⅛	AMD			65	3567	9⅞	9	9⅞	+ ⅞
43½	28¾	AMD pf	3	9.5		52	31¾	31½	31½	
8½	5¾	Adobe				71	7¼	7	7	− ⅛
18½	16½	Adob pf	1.84	11.		12	17	16⅞	17	+ ⅛
9¾	5⅞	Advest	.12	1.4	18	151	8½	8⅜	8⅜	− ⅛
52½	35½	AetnLf	2.76	5.5	8	3175	49⅞	49½	49¾	+ ½
44½	24	AflPb s	.22	.5		1115	41⅞	41	41⅝	+ ⅛
18⅝	13¾	Ahmans	.88	4.9	9	1845	18⅛	17⅞	18	− ⅛
4⅝	1⅞	Aileen			27	12	3⅝	3½	3½	− ⅛
53⅛	37¾	AirPrd	1.20	2.5	12	640	47½	46⅞	47⅛	+ ⅞
24	12⅞	AirbFrt	.60	2.7	22	144	22⅞	22	22⅛	+ ⅛
18	10	Airgas			19	192	18	17¾	17⅞	− ⅛
[illegible]										

Continued on Page 41

صورة من الأصل

مكتبة الأصل

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
13½	8¾	Royint	.16e	1.4	13	782	12	11⅞	11⅞	+ ⅛
8⅝	6⅝	Royce	.51e	5.9		110	8⅝	8⅝	8⅝	- ⅛
27⅞	21	Rubmd	.44	1.6	21	270	27⅞	27	27	- ¼
28½	17⅝	RussBr	.40	2.0	9	601	19⅝	19½	19⅝	
18⅞	12⅝	RussTg	.60	4.7	20	117	12⅞	12¾	12¾	
19½	12⅞	Russell	.28	1.4	16	411	u19⅞	19⅝	19¾	+ ⅛
32½	22⅝	Ryder	.60	2.0	17	4800	28½	27¾	28	- ⅛
26⅝	17¼	Rykoff s	.60	2.2	17	109	u27	26¾	27	+ ⅝
22	13⅞	Ryland	.60	2.8	8	98	u22¼	21⅞	21¾	- ¼
13½	8⅞	Rymer				86	10⅝	10⅝	10⅝	
10	7¾	Rymer pf	1.17	12.		5	9½	9⅜	9⅜	- ⅛
		– S–S–S –								
34½	30	SCEcp	2.48	7.5	11	1480	33¼	32⅞	33¼	+ ⅛
9½	6½	SCOR U	.10e	1.2	8	61	8¾	8	8⅛	+ ⅛
9⅝	7⅜	SL Ind	.17b	2.0		5	8½	8½	8½	- ⅛
45⅝	28⅝	SPSTec	1.20	2.7	20	53	43⅝	43⅝	43⅝	
44⅝	30⅛	SPX Cp	1.20	3.7	15	487	33⅞	33⅞	33	+ ⅛
31½	19	SSMC				2291	28⅝	28⅜	28½	+ ⅛
25	17	Sabine	1.04e	5.0	8	287	21	20¾	21	+ ⅛
13⅝	11⅛	SabnR	1.33e	11.	9	154	12⅝	12½	12½	- ⅛
17¾	13⅝	SigdSc			9	68	u18¼	17¾	18¼	+ ½
38½	21¾	SafKln	.30	1.1	25	667	28¼	27⅞	28	+ ½
9¾	8	SahCas	1.12	13.		32	8½	8¼	8⅜	- ⅛
24½	19¼	StJoLP	1.52	6.9	9	37	22	21⅞	21⅞	
22½	8⅝	Salant				572	u24	22¾	24	+1½
98	72⅞	SallieM	.30	.9	17	883	88⅞	87½	88½	+ ⅞
28⅝	19⅝	Salomn	.64	2.2	19	8214	u29⅜	28¾	29	+ ½
39½	30⅝	SDieGs	2.60	6.8	12	789	38⅝	38⅜	38½	- ⅛
8½	6⅛	SJuanB	.30e	3.6	21	173	8½	8⅜	8½	
14⅞	10⅞	SJuanR	2.25c		12	5	12⅝	12⅝	12⅝	- ⅛
34⅞	27⅞	SAnIRt	2.08	6.4	16	13	33	32¾	32¾	- ⅛
[illegible]										

AMEX COMPOSITE PRICES

3pm prices February 2

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, 3pm prices February 2

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

AMERICA

Dow bounces off morning lows on bargain-hunting

Wall Street

THE SAME pattern emerged in equity trading yesterday as on Wednesday, when the Dow Jones Industrial Average succumbed to early profit-taking but then rebounded from its lows as institutions bought at cheaper levels, *writes Janet Bush in New York.*

The Dow came back from a loss of more than 10 points in mid-morning to stand up 6.61 at 2,344.82 at 2 pm. Volume remained very active with 113m shares traded by midsession.

The current rally has proved more robust than most commentators had expected and its ability to bounce back from bouts of profit-taking suggests a great deal of momentum and positive feeling about stocks. The lack of any decent-sized correction has started to worry some market participants who would like to see a consolidation after the market's substantial new year rally.

Bond and currency markets have turned palpably more cautious than the stock market which has not started to react significantly to some key events which could give cause for concern. Two of those events take place today with the publication of January employment figures and the meeting in Washington of the Group of Seven.

Forecasts for the non-farm payroll vary widely from a gain of about 250,000 to as much as 400,000. Anything in that range is still a robust number and may be examined carefully by the Federal Open Market Committee which meets next week.

Yesterday's results from several leading retailers showing healthy rises in sales in January suggested that the consumer retains a great deal of spending confidence.

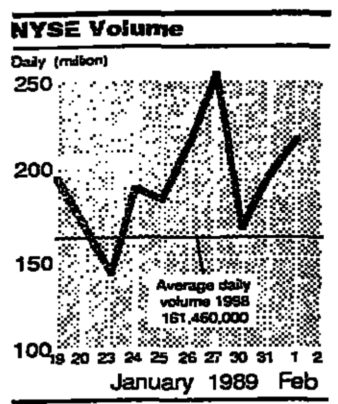
Speculation has already surfaced in the bond market that the Fed may move to tighten policy before next Tuesday's first auction in the quarterly refunding in response to an emerging picture of economic strength in January.

The dollar is the markets' focal point as the G7 meets, given awareness that non-US nations have been increasingly uncomfortable with the US currency's strength. The surge in the stock market recently appears to have added to demand for the US currency as foreigners have been attracted into the market. If speculation of yet higher short-term US interest rates begins to intensify, the dollar could be given an additional boost.

There were no economic indicators yesterday but some attention was given to a comment by Mr Alan Greenspan, Fed chairman, that Congress should focus more on reducing the Federal budget deficit than tax relief on dividends.

Among featured stocks was Newmont Mining, which jumped $3¼ to $40⅞. The British Government said it would not oppose Minorco's takeover offer for Consolidated Gold Fields, which holds nearly 50 per cent of Newmont. Minorco *has said it would seek offers* for that stake if it won control of Consolidated Gold Fields.

NYSE Volume



Fuqua Industries added $1⅛ *to $32⅞. First Financial Management* has agreed to pay between $232m and $250m for Georgia Federal Bank, a subsidiary of Fuqua.

Travelers Corp added $⅞ to $37 after its fourth quarter *earnings came out at the upper* end of analysts' expectations.

On the over-the-counter market, Blockbuster Entertainment slumped $1⅞ to $24⅞, reversing some of Wednesday's gain of $4⅛. The stock had *risen amid talk that it planned* to test Walt Disney video boutiques in some stores, but fell when Blockbuster said that it did not have a formal agreement with Disney and the boutiques would not be exclusive *to its stores.*

Canada

GOLD stocks gained ground at midday in Toronto, helping share prices higher overall in spite of falls in base metals and industrials. The midday composite index was up 3.8 at 3,644.4.

● Widespread takeover speculation boosted turnover in Toronto last month, pushing the value of shares traded to C$8.8bn, up 63 per cent from a year earlier, *writes Robin Gibbens.* The total number of shares traded was 34 per cent higher. Takeover activity was *concentrated in the brewing,* airline, pulp and paper and mining sectors.

ASIA PACIFIC

Nikkei picks up again as yen and futures rebound

Tokyo

CONFIDENCE in equities made a strong comeback yesterday as stability on the currency market and an upswing in equity futures gave investors cause to be more hopeful about prospects, *writes Michiyo Nakamoto in Tokyo.*

Sentiment in the market improved steadily throughout the day as investors began to feel that share prices had retreated far enough, with the Nikkei average down more than 300 points in the previous three days. The Nikkei climbed steadily through most of the session, closing up 137.62 at 31,498.30 – just below the day's high of 31,515.11. The low was 31,361.94.

Issues that advanced led those that declined by 552 to 371 while 152 stocks were unchanged. Volume rose to 1.32bn shares from 1.03bn on Wednesday. The Topix index of all listed shares gained 11.30 to 2,456.35 and, in London, the ISE/Nikkei 50 index rose 5.20 to 1,968.08.

The recovery on the futures market and the firmer yen were the main factors underpinning the strong performance of equities in Tokyo yesterday. Losses earlier in the week were triggered mainly by currency worries, which sparked fears of higher interest rates, and by a downturn on the equity futures market, so investors were quick to welcome even a measure of stability in these two areas.

The feeling had also taken hold that the Nikkei had perhaps fallen enough for the time being. Although there was still *cause for concern, particularly* with settlement of futures trading activity expected shortly, faith in the Japanese economy's strong fundamentals had not been lost, said Mr Hiroaki Hanao at Daiwa Securities.

The view is taking hold that in order to keep Japan's economy booming it is necessary to invest in building up the country's infrastructure, and this led once more to active interest in fiscal spending issues, particularly construction stocks.

The popularity of such issues was reflected in turnover, with six of the top 10 most active stocks being from the construction sector. The top three volume slots were filled by the same issues that occupied them on Wednesday, and in the same order.

Sato Kogyo led with 47.8m shares, adding Y60 to Y1,510. Taisei followed with 45.3m shares, gaining Y10 to Y1,400 and Nishimatsu Construction was third with 43.1m shares and rose Y40 to Y1,150. All three have civil engineering interests and have been supported by news of the Government's decision to start projects to lay three new bullet train lines and to build new highways.

JDC, a medium-sized construction company with expertise in underground work, rose Y140 to Y1,180 in heavy trading. Maeda Road Construction and Nippon Road, two leading road pavers, also featured. Maeda Road added Y110 to Y1,820 while Nippon Road advanced Y200 to Y1,660.

Some steel issues attracted interest on growing speculation that steels would be given a boost by leading brokers after they complete their present financing. NKK added Y19 to Y970, while Kobe Steel *increased Y14 to Y754.*

Fiscal spending was the main theme in Osaka, helping the OSE average to gain 99.03 to 29,999.62. Volume was robust at 127.8m shares against 103.9m traded on Wednesday.

Roundup

THE STRONG Australian dollar caused another upset in Sydney, while Hong Kong and Singapore began to wind down before next week's holidays.

AUSTRALIA dropped by more than 20 points for the second session running as rising interest rates pushed the local dollar higher while commodity prices eased.

The All Ordinaries index slumped 20.2 to 1,510.5 on fairly light volume of 116m shares worth A$189m.

Industrials were hard hit, with News Corp losing 25 cents to A$10.50, Brambles shedding 20 cents to A$11, and Comalco and Coles Myer both off 16 cents at A$4 and A$9.

HONG KONG had a narrowly mixed close after profit-taking balanced further buying. The pace of activity slowed as the market began to wind down for next week's Chinese New Year holidays. The market is shut on Monday, Tuesday and Wednesday.

The Hang Seng index eased just 1.37 to 3,059.54 in turnover of HK$1.82bn, down from HK$2.62bn. The new all-share index rose 0.92 to 1,807.68.

Cheung Kong was again one of the most active stocks, rising 10 cents to HK$10.10.

SINGAPORE eased on profit-taking before the Lunar New Year market closure next week and trading volumes fell. The Straits Times industrial index shed 8.67 to 1,128.34, with falls *outnumbering gains by 119 to* 64. Turnover was 49.5m shares, down from 59.8m.

Youthful indices make raid on Paris old guard

The CAC General is under attack, writes Hilary de Boerr

"IT'S a very unreliable guide, out of date and not updated during the day. But for a very long time it's what we've had and, because of that, people are still using it."

This broker's view could probably refer to many of the arcane indices used around European stock markets to track performance, but the particular *it* in question is the 17-year-old CAC General index, still the most widely-used of several French indices.

In the old camp lie the CAC General, the Indicateur de Tendance, and the Agefi and Insee indices. But they are facing a challenge. Slowly but surely the new CAC 40 and OMF 50 indices are creeping into conversations, while the FT-Actuaries World Indices and the Morgan Stanley Capital International indices also have new-found fans.

Nevertheless, analysts, brokers, fund managers and private investors still, on the whole, cling to the CAC General. Its maturity appears to be the main reason, for few have nice things to say about it.

"It's pretty hopeless," says Mr Philip Best, French analyst at Enskilda Securities in Paris. "I find it highly unacceptable *since it still doesn't include the* privatised stocks."

At Barclays de Zoete Wedd in Paris, Mr Christopher Aldous says: "I think the CAC is fairly useless unless you know what you're doing with it. It's misleading because it quotes on opening prices; you're going to see a CAC index that's hardly changed when the market is actually up 1.5 per cent."

The CAC General index covers 233 stocks at present and is calculated daily on opening stock prices. It is often unavailable because of "technical problems", strikes at the bourse, bomb scares and other distractions. And it does not include recently privatised stocks like CGE and Société Générale, which were some of the strong performers last year. On top of that, analysts complain that it is difficult to get information on the index. Its main use appears to be for historical purposes, for looking at longer-term trends.

The Indicateur de Tendance is meanwhile updated over the course of the day and is calculated on an arithmetic mean of the 50 biggest stocks. It is generally watched during the trading session to get an immediate feel for the market.

New boys such as the OMF 50 index, which covers the 50 most actively traded stocks, and the CAC 40, tracking 40 shares, are both updated by the minute and have been available since last June and November respectively.

They appear, however, to be having trouble winning a wide following. "I don't know where to find the OMF," said one analyst. "I just haven't got round to looking at the CAC 40," said a fund manager.

The two indices compete as hedging instruments for futures and options and, over recent months, have opened up opportunities for covering positions in the French equity market. The OMF 50 is run by the official OMF exchange, which *translates as Options Markets* France.

The reluctance to embrace either of them in place of the CAC General appears largely to be based on the fact that they do not date back far enough. *Nevertheless, County* NatWest WoodMac in London is one firm considering switching to the CAC 40, principally because it believes it gives a fairer reflection of the market for the international investor.

A look at the performance last month of a few French indices underlines that it does matter which index one tracks. The CAC General index ended January with a gain of 8 per cent, the FT-Actuaries French index rose 6.5 per cent, the Indicateur de Tendance added 5.9 per cent, the OMF 50 put on 5.4 per cent and the CAC 40 ended 5.2 per cent higher.

EUROPE

Frankfurt revived by Bank signals

RECENT losses sparked a technical recovery in Frankfurt and Madrid, and activity in Peugeot drove Paris higher, but Milan remained sickly, *writes Our Markets Staff.*

FRANKFURT rebounded strongly from its three consecutive falls earlier this week, helped by indications that the Bundesbank was not trying to tighten monetary policy further. Trading was thin, however, and analysts felt the upturn could be simply a technical correction without any significant shift in the underly*ing mood of uncertainty about* interest rates.

The FAZ index added 3.04 to 552.00 and the DAX rose 19.04, or 1.5 per cent, to 1,319.56. Turnover was DM3.14bn.

The Bundesbank left interest rates unchanged at its council meeting, and Mr Helmut Schlesinger, the vice-chairman, said in a newspaper interview that the central bank did not foresee an upward spiral in rates. Both were taken as positive but the market is now awaiting this weekend's meeting of the Group of Seven industrial nations for a clearer outlook.

Deutsche Bank recovered DM9 to DM524.50, and car stocks also rebounded, with Daimler up DM14.50 at DM676. But Daimler, under pressure about its earnings and planned rights issue, met what was described as "hostile questioning" at a presentation in London, after which the share price fell on London's Seaq International from DM674 to a closing DM666 bid.

Interest persisted in engineering stocks, with Linde up DM12 at DM774.

PARIS was dominated by Peugeot as good news on the earnings front sent investors scrambling to buy.

The stock was not traded in Paris on Wednesday because of the bourse employees' strike but traded in London at a high of FFr1,535. It opened yesterday in Paris at FFr1,540, shooting quickly to FFr1,585 and closed the session FFr93 stronger at FFr1,570. Peugeot sits high on several brokers' buy lists and while it has denied that it intends to launch a *rights issue, rumours persist.*

Chemicals group Rhone Poulenc's investment certificates added FFr11 to FFr611 on its forecast of higher profits last year and this, and news that it planned in the next three weeks to announce an acquisition of under FFr2bn.

Car components maker Valeo rose FFr30 to FFr682, announcing higher 1988 turnover. French television channel Canal Plus was suspended up Fr7 at FFr617 pending an announcement.

Heavy options trading boosted activity and the CAC 40 index climbed 25.57 to 1,683.26 while the OMF 50 index rose 9.41 to 471.43.

MADRID regained some of the ground lost on Wednesday as investors reflected on the positive elements of the Government's moves to tighten liquidity and address the inflation problem.

The belief that the previous day's sell-off was overdone sent investors searching for bargains and the general index rose 1.43 to 280.22. Volumes were moderate after the hectic trading on Wednesday, which turned out to be the highest this year at Pta 13.5bn.

Tabacalera, the tobacco group, was especially strong, adding 70 points to 835 per cent of par. Banks were weak again, however, as they will be hardest hit by the changes.

MILAN had a miserable day, falling sharply on continued worries about the Government's deal with the unions and local fears that foreign investors would start selling the market. The Comit index *fell 11.38 to 581.19 in volume* estimated by one house at L200bn or more, compared with L170bn on Thursday.

Concern that the Government's undertaking to index income tax could reduce revenues has led to fears that the proposed capital gains tax might have to be larger than expected to compensate, one analyst commented.

Trading in Nuovo Banco Ambrosiano and Banca Cattolica Veneto was suspended after a newspaper report that a merger plan had been approved in outline. Ambrosiano then said the merger with Cattolica del Veneto, in which it holds just over 50 per cent, had not been finalised. In resumed trading, Ambrosiano fell L90 to L3,150 and Veneto rose L120 to L5,760.

Mutual fund figures for January showed little overall improvement on December, with net redemptions of L830bn against L850bn.

AMSTERDAM was enlivened by corporate news but overall made a quiet recovery, with the CBS tendency index ending up 1.4 at 163.1, but off highs. Turnover was only Fl 335m.

Borsumij, the trading company, gained Fl 5.40 to Fl 132.20 following its 19.5 per cent rise in provisional 1988 net profits. Hagemeyer, another trading group, added Fl 1 to Fl 82 and its bid target, pharmaceutical company Medicopharma, gained Fl 1.50 to Fl 76.

Centerparcs jumped Fl 4.10, or 6.5 per cent, to Fl 66.40 on continued interest following its analysts' presentation on Tuesday. Chemical DSM eased 30 *cents to Fl 113.60 in grey mar*ket trading as subscription to the public offer closed.

STOCKHOLM was helped to its fourth consecutive record by speculation about a takeover of engineer Atlas Copco by Trelleborg, the industrial conglomerate. Atlas rose SKr13 to SKr331 and Trelleborg SKr12 to SKr357, but trading was a modest SKr341m overall. The Affärsvärlden General index rose 3.9 to 1,078.2.

ZURICH put in another uninspiring session, with few buyers as interest rate worries persisted. The Crédit Suisse index gave up 1.7 to 531.7.

Adia bearers fell another SFr160 to SFr7,690, giving it a week's loss of 20 per cent. The stock was nevertheless estimated by one analyst still to be trading at a premium of at least 10 per cent to the market.

BRUSSELS was pulled lower by losses at engineering group ACEC, which dropped BFr63, or 16 per cent, to BFr325, on fears that its recapitalisation plan will be rejected. The cash index lost 28 to 5,762.5.

SOUTH AFRICA

MINING financial share prices shot up in heavy trading in Johannesburg yesterday after Minorco's bid for Consolidated Gold Fields was cleared by the UK Government.

Gold Fields jumped R6 to R95.50 and Minorco gained R2.50 to R52. Anglo American, which controls Minorco, rose R2.75 to R71.25.

Most other stocks closed narrowly mixed, with gold issues helped by the weak financial rand, but discouraged by a weak bullion price. Vaal Reefs gained R3 to R287 and Driefontein rose 10 cents to R33.50 while Kloof lost 50 cents to R31.

SA Breweries, which announced on Wednesday its acquisition of 49.8 per cent of Da Gama Textile, held by Tootal Group of the UK, gained 10 cents to R21.10.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of stocks per grouping	WEDNESDAY FEBRUARY 1 1989 US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	TUESDAY JANUARY 31 1989 US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX 1988/89 High	1988/89 Low	Year ago (approx)
Australia (90)	155.21	-1.2	131.15	115.67	4.65	157.12	133.08	117.36	157.12	91.16	97.58
Austria (18)	94.97	-0.1	80.25	92.13	2.67	95.03	80.49	92.30	100.00	83.72	87.07
Belgium (63)	134.43	-0.1	113.59	130.45	3.94	134.36	113.71	130.45	139.89	99.14	107.62
Canada (125)	135.70	+0.3	114.67	116.89	3.12	135.31	114.60	115.95	135.70	107.06	107.06
Denmark (39)	155.51	+0.7	131.41	153.34	1.98	154.49	130.85	153.34	161.60	111.42	114.11
Finland (26)	134.54	+1.1	113.68	121.61	1.44	132.85	112.51	120.02	139.78	106.78	109.48
France (131)	117.36	+1.0	99.17	116.81	2.78	116.23	98.45	116.42	119.33	72.77	77.11
West Germany (102)	83.31	-0.9	70.39	80.66	2.34	84.04	71.17	82.07	90.40	67.78	69.59
Hong Kong (45)	127.47	-0.2	107.71	127.65	3.89	127.75	108.19	127.89	127.75	84.90	89.54
Ireland (17)	134.69	-0.6	113.81	132.67	3.86	135.47	114.74	134.10	144.25	104.60	112.74
Italy (98)	81.42	-0.6	68.81	82.90	2.43	81.94	69.40	83.84	86.88	62.99	65.69
Japan (456)	190.41	-0.3	160.90	155.98	0.48	190.90	161.68	157.47	197.43	133.61	148.43
Malaysia (36)	154.66	-0.2	130.69	162.58	2.62	154.95	131.24	162.83	155.23	107.83	116.64
Mexico (13)	160.51	-0.3	135.63	404.85	1.26	160.92	136.29	406.94	182.24	90.07	123.29
Netherland (38)	113.49	+0.8	95.90	108.94	4.55	112.64	95.40	109.02	115.04	95.23	97.68
New Zealand (24)	72.28	+1.6	61.08	62.98	6.25	71.13	60.25	62.46	84.05	63.32	69.26
Norway (26)	157.28	-0.9	132.90	143.99	1.89	158.78	134.48	145.80	161.54	98.55	100.46
Singapore (26)	139.53	+0.3	117.90	124.35	2.14	139.08	117.80	123.83	139.53	97.99	103.82
South Africa (60)	122.82	-2.3	103.79	105.29	4.48	125.65	106.42	106.70	139.07	98.26	118.16
Spain (42)	144.68	-2.4	122.26	128.95	3.66	148.26	125.57	130.24	164.47	130.73	134.90
Sweden (35)	150.17	+0.9	126.89	140.66	2.06	148.85	126.07	140.15	150.17	96.92	106.60
Switzerland (57)	76.10	+0.3	64.31	74.71	2.27	75.89	64.27	74.52	86.75	74.13	76.78
United Kingdom (314)	148.86	-0.3	125.79	125.79	4.31	149.29	126.44	126.44	149.71	120.66	129.17
USA (569)	120.87	-0.1	102.14	120.87	3.53	120.99	102.47	120.99	120.99	99.19	103.05
Europe (1006)	118.42	-0.2	100.06	108.02	3.53	118.67	100.51	108.67	119.66	97.01	99.24
Nordic (126)	143.76	+0.7	121.48	132.02	1.95	142.79	120.94	131.76	144.52	98.11	103.94
Pacific Basin (677)	186.27	-0.3	157.40	152.93	0.70	186.79	158.20	154.38	192.26	130.81	144.15
Euro-Pacific (1683)	159.15	-0.3	134.47	135.06	1.56	159.54	135.13	136.20	161.61	120.36	126.21
North America (694)	121.67	-0.1	102.81	120.65	3.51	121.75	103.12	120.70	121.75	99.78	103.24
Europe Ex. UK (692)	99.65	-0.2	84.21	97.02	2.86	99.80	84.53	97.67	102.91	80.27	80.72
Pacific Ex. Japan (221)	136.53	-0.6	115.37	114.21	4.30	137.41	116.39	115.13	137.41	87.51	92.64
World Ex. US (1881)	157.96	-0.3	133.48	134.30	1.63	158.37	134.13	135.37	160.23	120.26	125.47
World Ex. UK (2136)	143.10	-0.2	120.93	130.14	2.00	143.39	121.45	130.80	143.93	111.77	115.56
World Ex. So. Af. (2390)	143.73	-0.2	121.46	129.89	2.29	144.02	121.97	130.63	144.48	113.26	116.76
World Ex. Japan (1994)	121.15	-0.2	102.38	116.04	3.56	121.36	102.79	116.37	121.36	100.00	101.60
The World Index (2450)	143.60	-0.2	121.35	129.72	2.21	143.90	121.88	130.47	144.36	113.37	116.77

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.62 (US $ Index), 114.42 (Pound Sterling) and 123.18 (Local).
Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities Limited, 1987
Due to problems at the Paris exchange French prices were not fully updated 1/2/89. Latest prices were unavailable for this edition.